



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

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In the Matter of the Joint Application of Frontier)
Communications Corporation, Frontier)
Communications of America, Inc. (U5429C),)
Verizon California, Inc. (U1002C), Verizon Long) Application 15-03-005
Distance LLC (U5732C), and Newco West) (Filed March 18, 2015)
Holdings LLC for Approval of Transfer of)
Control Over Verizon California, Inc. and)
Related Approval of Transfer of Assets and)
Certifications)

California Emerging Technology Fund

Petition to Modify Decision No. 15-12-005 to Compel

Frontier Communications to Comply with Memoranda of Understanding

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In accordance with Rule 16.4 of the Commission's Rules of Practice and Procedure, California Emerging Technology Fund ("CETF") files this request for a modification to the "Decision Granting Application Subject to the Conditions and Approving Related Settlements," In the Matter of the 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, Decision No. ("D.") 15-12-005, Application No. ("A.") 15-03-005, issued December 9, 2015 (hereinafter the "Frontier Decision"). The requested modifications of D.15-12-005 relate to Appendix E of the Decision, which contains as Attachment A, a copy of the "Memorandum of Understanding and Agreement between Frontier Communications Corporation and California Emerging Technology Fund" (hereinafter referred to as the "MOU"). CETF seeks modification of the Frontier Decision to obtain an order from the Commission to enforce the MOU provisions given intentional noncompliance by Frontier Communications ("Frontier"). In D.15-12-005, the Commission explicitly gave any settling party the right to return to the Commission for an order

to enforce the settlement agreements and MOUs,¹ and regretfully, this is what CETF has been forced to do after attempting to work in good faith with Frontier on its MOU obligations owed to CETF and the people of California.

I. Summary

CETF requests that D.15-12-005 be modified to require Frontier to comply with all broadband-related public interest obligations contained therein. To date, Frontier has obligations contained therein, particularly as to the CETF MOU and other broadband-related commitments struck with three other consumer groups, Office of Ratepayer Advocates (“ORA”), The Utility Reform Network (“TURN”), and Center for Accessible Technology (“CforAT”), in the same Decision. Frontier is failing to fulfill its public benefit obligations for both broadband deployment and adoption as set forth in the Decision and MOU, and is attempting to abandon and escape those obligations by delaying implementation of obvious and common-sense remedies that CETF has proposed and would accept to assist Frontier in complying with the substance and spirit of the Decision and MOU. Instead, after continuous efforts by CETF to work in good faith with Frontier to achieve its specified public benefit obligations (documented in written communications to Frontier dating back to August 9, 2017 and attached as Exhibits), Frontier is intentionally delaying remedies to run out the clock on initial timetables identified in the MOU instead of adjusting those target dates to deliver the public benefits. CETF believes that if Frontier entered into the MOUs with CETF and other parties in good faith, then Frontier would continue to work to deliver those public benefits instead of trying to rely upon arbitrary dates to escape its obligations. CETF regards Frontier’s failure to comply with the MOU and delays in instituting obvious remedies to be the equivalent of having tolled the dates in the MOU and suspended the initial target dates. Further, if Frontier still were sincere about providing the public benefits they pledged to obtain support and approval of their application to acquire the Verizon wireline network in California, then the corporation’s efforts would be focused on modifications in implementation strategies and activities to achieve (or come close to) the aspirational goals instead of trying to escape those obligations as of an arbitrary date. Thus, it is with much disappointment and regret that CETF files this petition to seek assistance from the

¹ D.15-12-005, at Ordering Paragraph (“OP”) 13. Further, OP 13 states that Frontier consents to the jurisdiction of this Commission to enter an order enforcing the Settlements or the MOU.

Commission to ensure that Frontier provides benefits to the public that it committed to conclude the Verizon business transaction. In addition, pursuant to standard accounting practices, Frontier would have booked those public benefit obligations as a liability, and therefore, should act accordingly instead of manipulating their balance sheet for business advantage. In consideration of this Petition, it should be noted by the Commission that although CETF agreed to administer the grant program for community-based organizations (“CBOs”) on behalf of Frontier to assist the corporation in meeting its MOU obligations, CETF receives no fees or additional operational funding from Frontier and, thus, has no economic self-interest at stake beyond compliance with the public benefit obligations in the MOU. In fact, CETF has invested significant time and resources to work in collaboration with Frontier to assist the corporation comply with the MOU. The following summarizes the Decision and MOU non-compliance by Frontier.

Frontier is failing as to its MOU commitment to offer and broadly market an affordable broadband offer to low-income eligible households such that it will achieve 200,000 low-income broadband home adoptions in three years. Frontier also is failing as to its MOU commitment to provide resources and support to CBOs to achieve 50,000 adoptions by low-income households in two years. The 50,000 low-income household adoptions objective is intended in the MOU to assist Frontier in achieving its overall 200,000 household adoption obligation, but Frontier arguably is responsible for achieving 200,000 adoptions independently if it unnecessarily and precipitously abandons collaboration with CBOs. In negotiations with Frontier, CETF originally proposed and justified a much higher goal than 200,000 low-income households as “appropriate, fair, and comparable” (consistent with the methodology contained in Proposed Decision by ALJ Bemserderfer in Application No. 14-04-013) but settled with Frontier on the lower aspirational goal of 200,000 based on 2 factors: (a) Frontier was acquiring 150,000 existing Verizon landline Lifeline telephone subscribers and Frontier thought they could directly market their affordable broadband offer to these customers (which they insisted on bundling with Lifeline telephone service); and (b) an additional 50,000 low-income customers that CBOs would achieve with funding and resources provided by Frontier in the form of \$3 million in grants for CBOs, donation of 50,000 Internet-enabled devices to support adoptions, diligent marketing and advertising to low-income households, and \$50,000 to underwrite the costs for quarterly grantee “learning community” workshops. CETF expressed concerns about the bundled offer and the level of funding and resources for CBOs, but also didn’t presume to substitute its experience for

Frontier's knowledge and innovation, so reached agreement in the spirit of cooperation with the understanding that both parties would work in good faith to achieve the public benefit goals. CETF concluded that it was more prudent to enter into a sincere partnership with Frontier in October 2015 rather than jeopardize their acquisition of the Verizon wireline network by declining to reach agreement.

Frontier launched its existing affordable broadband offer in late August 2016 and to date only 9,173 adoptions have been achieved, a mere 4.5% of the 200,000 household adoption goal. Due to the initial Frontier eligibility requirement that Frontier customers be a telephone landline Lifeline subscriber and the total bundled cost, the affordable broadband offer has only attracted 7,452 low-income subscribers, which is 190,827 households short of the agreed-upon goal. Frontier's performance to date is *prima facie* evidence that CETF concerns were justified. However, the public should not be denied benefits because Frontier was ignorant of what would be required to achieve the 200,000 adoptions by low-income households. Instead, the logical course of action is for Frontier now to defer to the experience of CETF and partner CBOs to correct course and continue to strive to achieve their public benefit obligations.

Frontier acknowledged that the original affordable broadband offer was not working and agreed to remove the Lifeline eligibility requirement and replace it with a viable low-income offer that is competitive in the market, but has dragged its feet for more than a year to launch a revised offer. As a result of the delay in release of a new viable offer, CETF has requested the three-year low-income household adoption obligation be extended in order to achieve the 200,000 household adoption goal and the two-year CBO grant program be extended (both to begin as of the date of release of the revised affordable offer), and Frontier has refused. Frontier instead is seeking to end the CBO program in mid-2018 in spite of the fact that CETF has encumbered the funds and resources to grant \$3 million and provide 50,000 devices to CBOs to achieve 50,000 low-income adoptions within a two-year period following the release of a revised viable affordable offer by Frontier. Moreover, based on the performance to date of only 9,127 adoptions to date because of the lack of a viable affordable offer, there is no reasonable likelihood that Frontier can achieve another 190,827 household adoptions by the end of the initial three-year timeframe. Further, in return for revision and release of a viable affordable offer Frontier has sought to pressure CETF to agree to: (1) divert 22,500 of the 50,000 Internet-

ready devices to its own sales channel; and (2) require the CBOs only to market Frontier's affordable broadband offer instead of informing prospective low-income customers about all ISP available affordable offers in the service area. This latter request violates one of the public benefit agreements in the MOU and CETF policy to be technology neutral when educating consumers on their broadband options. By not providing a viable affordable offer, limiting it to only Frontier service, and reducing the availability of the Internet-ready devices, Frontier avoids paying the CBOs up to \$2 million for their work, and providing all 50,000 Internet-ready devices to low-income families signed up by CBOs. CETF has been attempting to resolve this issue with Frontier for a year but its representatives have unequivocally refused to provide immediately a viable offer and to agree to extend the CBO program and the device program in a way that reasonable will reach (or come very close to) the 200,000 low-income household adoption goal.

Further Frontier has installed WiFi service at only 17 of the 50 public locations so that users may access the Internet for free in low-income and very rural areas. Frontier was supposed to have identified the public locations by April 2017. Frontier also has failed to provide a detailed implementation plan to CETF and local stakeholders as to how it will meet its infrastructure and speed commitments under the Decision, so that the State can reach the 98% deployment goal per region for broadband access established in AB1665.

CETF was not able to file this petition to modify within the one year deadline due delays in implementation by Frontier and sincere efforts by CETF to work in good faith with Frontier to collaborate on implementation to comply with the MOU to deliver the public benefits. Frontier was late in launching its initial affordable broadband offer and it took a while for CETF to determine that it was not viable and would not contribute to achieving the 50,000 low-income household adoptions by CBOs in the initial target timeframe of two years and the total 200,000 low-income household adoptions by Frontier in the initial target timeframe of 3 years. It was not until late 2017 that CETF concluded that Frontier intentionally was stalling on implementing a new affordable offer to avoid contributing the balance (\$2 million) of the \$3 million in grants to CBOs and was attempting to divert 50,000 devices to its own sales channel to avoid these devices being used by CBOs for low-income household adoptions that might be non-Frontier subscribers. The delay in installation of free WiFi in public locations further shortchanges low-income rural and disadvantaged poor urban residents. And, finally, all of the CETF efforts to

work cooperatively with Frontier have been hampered by ongoing Frontier layoffs and changes in assigned personnel.

Notwithstanding all of the Frontier corporate maneuvering to avoid its public benefit obligations, it is important and appropriate to acknowledge the sincere efforts and substantive cooperation by their marketing and customer service personnel who have been assigned to work with CETF, many of whom have been terminated. These individuals have modeled the kind of collaboration that each ISP needs to facilitate sincere public-private partnerships and we regret that all of their efforts have not been sufficiently supported or honored by the Frontier corporation.

II. Background

On December 3, 2015, the Commission voted to approve the Frontier Decision in connection with the Commission's review of the proposed acquisition of the Verizon Communications wireline network in California by Frontier. CETF was a party in the proceeding to obtain public benefits for both broadband deployment and adoption fulfill the responsibility of its mission assigned by the CPUC to close the Digital Divide and obtain public benefits in the form of broadband infrastructure access and adoption as a result of the corporate consolidation.

CETF is a non-profit according to the Internal Revenue Code Section 501(c) (3) corporation whose Commission-assigned mission is to close the Digital Divide in California by accelerating broadband deployment and adoption. For over a decade, CETF faithfully has performed this important work. It is the only California statewide non-profit organization exclusively engaged in this work, and has been active before this Commission on broadband policy matters.

CETF leads collaboration with community-based organizations (CBOs), civic organizations, local governments, State agencies, Internet Service Providers (ISPs), this Commission, Regional Consortia, and other stakeholders throughout California to support broadband infrastructure construction and to reach disadvantaged populations to increase broadband adoption. Unconnected and underconnected households tend to be low-income, non-English speaking, persons with disabilities, seniors, and rural communities. More information about CETF and its work can be found at www.cetfund.org.

III. The Purpose of the MOU Agreement Is to Ensure Public Benefits in Broadband with a Low-Income Affordable Offer, 50,000 WiFi Capable Tablets to Low-Income Californians, and 50 WiFi Public Access Locations

On March 18, 2015, Frontier and Verizon California Inc. (“Verizon”) filed an application for Commission approval of the sale and transfer of Verizon for its landline service territory in California, consisting of approximately 2.2 million customers of Verizon. CETF, five consumer groups and three other parties intervened in the proceeding to comment on or protest the transaction.

On October 23, 2015, Frontier and CETF entered into a settlement agreement officially expressed in the MOU. They filed a joint motion appending the agreement for Commission acceptance of the MOU, which is contained in Appendix E to D.15-12-005. Under the terms of the MOU, Frontier agreed to perform specific public benefit obligations to ensure that the public, and especially those low-income households in need of broadband infrastructure, access, and service, would benefit from Frontier’s acquisition of the Verizon landline network in California. Frontier agreed to several covenants aimed at working “in good faith” and “with sincere commitment” with CETF and CBOs in a public-private partnership to address the need to bring broadband service to low-income households and to very rural areas in California in a variety of ways. As described in D.15-12-005, the MOU provides that:

“3.2.3. The CETF MOU

The CETF MOU directly addresses the problems of broadband access and affordability particularly in remote and low-income areas of the Verizon service territory by obligating Frontier to meet certain specific commitments. These commitments are contained throughout the MOU and include, but are not limited to, the following provisions:

1. [Frontier will offer all current Verizon and Frontier Lifeline customers and any newly-qualified Lifeline customers] broadband for \$13.99 a month. Frontier shall not require any more information from applicants than is currently required for the California Lifeline program. Frontier will offer Lifeline customers up to 7 megabytes per second (Mbps) downstream where 7 Mbps is available and the highest available upstream speed. If less than 7 Mbps service is available, Frontier will provide the highest available downstream and upstream speeds of service. The offer will include free installation, a free modem with wireless router and free assistance by Frontier trained customer representatives or designated third-parties.

2. Frontier is prepared to deliver broadband access as available to as many users as possible located in the current Frontier footprint, including the counties located in the

northeast area of California. This will include a comprehensive network assessment of the following counties: Modoc, Shasta, Lassen, Plumas, Siskiyou, and Tehama.

3. In very rural areas where a network buildout is constrained due to the high cost per household (and where it falls outside of the FCC census block guidelines), and line-of-sight conditions are acceptable, Frontier will offer a satellite broadband product that allows 5 Mbps to 15 Mbps download speed.

4. In very rural areas where network buildout is too costly, and where the FCC's Very High Cost CAF support is not yet available, Frontier and CETF will identify by April 2017 fifty (50) public locations to install broadband so users may access the Internet under the guidelines communicated by such a public entity.

5. Across the defined low-income areas, Frontier will fund the purchase of 50,000 WiFi capable tablets, each of which will be able to connect to a public Internet service or private WiFi and support low-income broadband service. These web WiFi capable devices will be processed and distributed by non-profit organizations as part of a public-private partnership program initiated by Frontier in collaboration with CETF and partners.”

See D.15-12-005, Section 3.2.3 “The CETF MOU,” at pp. 56-57.

CETF draws the Commission’s attention to the Covenants of the MOU itself² where among other things, Frontier and CETF agreed to work together “to address the need to bring broadband service to low-income households in California.”

In the Covenants, Frontier agreed to provide an Interim Low-Income Broadband Program across all its service area no later than July 1, 2017. The program terms were set forth in the MOU: (1) \$13.99 rate/month, available only to Lifeline voice customers, existing or new customers; (2) No further information required from the applicant than is required for the California LifeLine program; (3) Up to 7 Mbps downstream speed where available otherwise the highest available downstream speed; (4) Free installation; (5) Free modem with wireless router; (6) Assistance by Frontier trained customer representative or designated third parties to educate and sign up for California and/or FCC Lifeline program;³ and (7) No long-term contract or credit check.⁴ The MOU acknowledged there were 150,000 Lifeline wireline voice customers in the Verizon footprint (3 million Verizon households) in the area to be acquired.

² D. 15-12-005, Appendix E, Attachment A, “Covenants”, at pages 5-8.

³ MOU, at page 3, para. 3.

⁴ MOU, at page 7, para. 18.

Frontier agreed to work with CETF to develop the plan to inform eligible and prospective customers about the affordable broadband plan, including the content of the communications and information materials, with Frontier having final say over the content. Frontier agreed to report quarterly to CETF executives on the progress being made in enrolling eligible low-income households.⁵ Frontier and CETF in consultation with CBO partners agreed to develop a “mutually agreeable plan no later than June 30, 2016 to achieve broadband adoptions by 200,000 low-income households.”⁶

Frontier agreed to implement and broadly market an Interim Low-Income Broadband Plan and the FCC’s Lifeline broadband program, when each is available. Frontier agreed that “over a period of three years, the target of 200,000 enrolled Lifeline broadband customers is an aspirational target CETF and Frontier will endeavor with sincere commitment and in good faith to achieve.”⁷ Frontier and CETF agreed to outreach to CBO partners regarding consumer outreach “with the aspirational goals of achieving as much of 200,000 low-income adoptions in the shortest-possible time frame with the aspirational goal being no longer than three years.” Frontier and CETF in consultation with the CBO partners will develop a mutually-agreed upon plan no later than June 30, 2016 to achieve broadband adoption by 200,000 low-income households.”⁸ CETF brings the Commission’s attention to the time period to reach the aspirational 200,000 low-income adoption goal as being three years also was “aspirational” and not an absolute without the opportunity to revisit to achieve the over-riding commitment to drive to the aspirational goal of 200,000 low-income household adoptions. The target dates in the MOU are secondary in importance and far less controlling for the Frontier public benefit obligations than the goals for broadband adoptions by low-income households and the commitments to CBOs.

CETF agreed to select CBO partners with deep experience and a track record of achieving broadband adoption⁹ and implement a grant agreement, including performance accountability standards related to achieving the aspirational goal of 200,000 low-income households adopting broadband service, with each of the CBO partners. The results will be

⁵ MOU at 4, para. 6.

⁶ MOU at 7, para. 19.

⁷ MOU at 6, paras. 15, 17.

⁸ MOU at p.5, para. 19.

⁹ In this context, “broadband adoption” means that a residential customer will subscribe to broadband at home.

reported quarterly by Frontier to CETF.¹⁰ Frontier agreed to make available an affordable offer (which was presumed would be viable), provide \$3 million in grants for CBOs and to fund the purchase of 50,000 Internet-enabled devices, each of which are Internet-enabled, to support CBOs in achieving 50,000 adoptions by low-income households in the Frontier service area. It also should be noted that CETF informed Frontier that past experience indicated that 50,000 adoptions by CBOs would require approximately \$10 million, but Frontier contended that they only could contribute \$3 million (which translated to \$60 per adoption for CBO grants), but pledged to work closely with CETF and CBOs to market the affordable offer and would join forces in raising additional funds. The initial target date was two years predicated on the expectation that the affordable offer would be viable and available in a timely period. Starting July 2016, the Internet-enabled devices were to be distributed by CBOs and other non-profit organizations to households that subscribe to broadband service of Frontier or other broadband services at home as part of a public-private partnership initiated by Frontier in collaboration with CETF and its partners. This device contribution was to facilitate broadband adoption to reach the 200,000 adoption goal by households who cannot afford a computing device, with an emphasis on youth, people with disabilities and the elderly in low-income defined areas.¹¹ CETF draws attention to the provision that the device donation was available for low-income households subscribing to *any broadband service in the Frontier service area* not just for the Frontier service. This is due to the policy that CETF, as a non-profit organization, and its CBO partners educate consumers on all affordable offers that are available on a technology neutral basis.

CETF worked with Frontier to identify and reach out to more than 4,000 CBOs and non-profit organizations (including schools and libraries) to notify them of the opportunity for Frontier grants and to request Letters of Interest. CETF and Frontier conducted three briefing conferences for interested parties to answer questions and recruit applicants. Initial feedback from prospective grantees was that the grant amount of \$60 per adoption (although coupled with an Internet-enabled device) was a small amount for the work involved in achieving an adoption by a low-income household and the bundled affordable offer was going to be problematic. As a result, out of more than 4,000 organizations contacted, only 20 submitted LOIs with 16

¹⁰ MOU at p.5, para. 19.

¹¹ MOU at pp. 7-8, paras. 20, 21 and 22.

becoming finalists for consideration of grants. These results reaffirmed CETF concerns which again were shared Frontier with every expectation that the corporation would take seriously these realities and live up to their obligation to achieve 200,000 adoptions.

In very rural areas, Frontier and CETF agreed to identify by April 2017, fifty (50) public locations to install broadband so users may access the Internet. These would be in either very rural areas where network build was too costly or in low-income urban neighborhoods.¹²

In two places in the MOU, Frontier committed to provide CETF plans as to how it intended to reach unserved and underserved households. The first commitment is in paragraph 10 on page 5 of the MOU and in it, Frontier agrees to present the framework of a plan relating to six Northeast Counties (Modoc, Shasta, Lassen, Plumas Siskiyou and Tehama, referenced in para. 8 of the MOU). In paragraph 11 of the MOU on pages 5-6, Frontier agrees to communicate with CETF, Regional Consortia, elected county and city officials, and community stakeholders in their service area the framework of a plan no later than October 1, 2016 to upgrade the 77,402 locations, augment the broadband speed for 250,000 households, and deploy broadband to an additional 100,000 homes. A “more detailed plan will be shared on or before December 1, 2016.” These plans have not been received as to the entire obligation for all service areas. Frontier released a public version of their plans that projects households to be reached over a period of years with a list of communities with no details about the number of households for each location. CETF received a plan subject to a Non-Disclosure Agreement (NDA) only for 2017 which contained insufficient detail to constitute any common definition of “detailed.” It contains only a county name, a service area name, and then the total number of households planned to be built out. Absent street names, neighborhood names, or a map, CETF and local stakeholders lack information to understand what households or areas Frontier plans to serve. Moreover, Frontier was not willing to share the 2017 Plan with local stakeholders.

At page 10, para. 35 of the MOU, provided the transaction was consummated, Frontier “agreed to fulfill the commitments presented herein.”¹³

In discussing the settlements with CETF and other consumer parties who also settled separately with Frontier, this Commission clearly stated:

“We conclude that granting the application will satisfy the public interest requirements of

¹² MOU at 5, para. 9.

¹³ MOU at p.10, para. 35.

Section 854(c) if we impose the following conditions:

1. Frontier shall offer broadband connectivity to all Lifeline-eligible Verizon customers at the rate and on the terms contained in its Memorandum of Understanding with the California Emerging Technologies Fund. . . “

D.15-12-005, at p. 71.

The Commission further held that relief should Frontier not perform may be obtained from this Commission by applying to this Commission for an order directing Frontier to perform one of the agreements contained in the Settlement or the MOU.

“10. Frontier shall perform, *in a faithful and timely manner*, all agreements made by it in the Settlements and the MOU. *Any party to a Settlement or an MOU may, at any time during the duration of the Settlement or the MOU, as the case may be, apply to this Commission for an order directing Frontier to perform one or more agreements contained in the Settlement or the MOU. Frontier consents to the jurisdiction of this Commission to enter an order enforcing the Settlements or the MOU.*”

D.15-12-005, at pp. 71, 74-75 (emphasis added).

The Settlements were found reasonable in light of the whole record, consistent with the law, and in the public interest in Conclusion of Law 6, at page 78 of D.15-12-005. As such, the Commission approved the Settlements, including the CETF MOU. (D.15-12-005, Conclusion of Law 7, at p. 78)

In the Ordering Paragraphs of D.15-12-005, the Commission reiterated the commitments and ordered the following, among other things:

“2. Frontier Communications Corporation shall offer broadband connectivity to all Lifeline-eligible Verizon California, Inc., customers at the rate and on the terms contained in its Memorandum of Understanding with the California Emerging Technologies Fund. . .

12. Verizon California, Inc., and Frontier Communications Corporation (Frontier) shall take all steps necessary to apply for and obtain Connect America Fund and Remote Area Fund support from the Federal Communications Commission. To the extent that Frontier has discretion in the order in which such funds may be expended, Frontier shall spend them first on the most remote and underserved portions of the Verizon California, Inc., service territory where connections to schools and other “anchor” institutions may be deficient and where energy facilities and pole structures may be absent.

13. Frontier Communications Corporation (Frontier) shall perform, in a faithful and timely manner, all agreements made by it in the Settlements and the Memorandum of

Understanding (MOU). Any party to a Settlement or an MOU may, at any time during the duration of the Settlement or the MOU, as the case may be, apply to this Commission for an order directing Frontier to perform one or more agreements contained in the Settlement or the MOU. Frontier consents to the jurisdiction of this Commission to enter an order enforcing the Settlements or the MOU.”

D.15-12-005, at pp. 78-82.

CETF highlights the fact that in the Frontier Decision, on October 30, 2015, Frontier entered into a partial settlement agreement with ORA, TURN, and CforAT (“Joint Protestors Settlement”) to settle all but one issue raised by ORA.¹⁴ Under the Joint Protestors Settlement (which is Appendix F to the Frontier Decision), Frontier is to provide 25 Mbps/2-3 Mbps speed broadband service to an additional 400,000 households in California by December 31, 2022; 10 Mbps/1 Mbps speed service to an additional 100,000 households beyond its CAF II commitments by December 21, 2020, and 6 Mbps/1-1.5 Mbps service to an addition 250,000 households in California. This adds up to enhanced broadband service to be provided by Frontier to 827,000 households in California.¹⁵ CETF highlights this commitment because Frontier has failed to provide any detailed plans as to how it intends to achieve its 827,000 household commitment contained in the Frontier Decision, and claims it is confidential from CETF and key stakeholders in rural communities.

IV. CETF and Partner CBOs Have Invested Significant Efforts to Work in Good Faith with Frontier to Ensure MOU Compliance, But Frontier Has Failed to Perform and Intends to Evade its Obligations and Not Fulfill the Public Benefit Obligations

At issue in this Petition is the failure of Frontier to date to comply with its MOU agreement with CETF, which will be set forth below. CETF contracts with CBOs to perform the outreach work to low-income communities. Frontier is obligated to pay CETF \$3 million plus and later, after the MOU was executed, Frontier agreed to pay CETF \$50,000 to plan and implement a CBO Learning Community meetings. Frontier only has provided \$1,025,000 to CETF of the \$3,050,000 due to date for the CBO grant program.

Following adoption of the MOU through the Frontier Decision, CETF senior executives (principally President and CEO Sunne Wright McPeak and Senior Vice President Susan Walters)

¹⁴ D.15-12-005, at 7.

¹⁵ D.15-12-005, at pp. 57-58, items 1, 2 and 3 summarizing Joint Protestors Settlement.

promptly commenced good faith communications and significant work with Frontier to find and award grants to CBOs experienced in broadband adoption programs, convene local stakeholders, etc. to implement the MOU.

Several problems arose concerning Frontier's performance: (1) staffing problems; (2) Lifeline requirement; (3) Inadequate funding and (4) inadequate implementation plans. The first major problem was the change in Frontier's California senior staff, Melinda White, former President – West Region, in charge of implementing the MOU, left Frontier in December 2016. Ms. McPeak had negotiated the MOU with Ms. White, and the loss of this executive was significant in terms of the working relationship between CETF and Frontier. Tressa Bader, VP/GM California North replaced Melinda White, and then Ms. Bader left in May 2017. Les Kumagai, a Frontier external affairs manager, was assigned to work with CETF on the WiFi locations after Gregory Trent, a senior technical Frontier employee left in October 2016. Mr. Kumagai then left Frontier in December 2016. Jesus Torres replaced Les Kumagai and then he left in January 2018. The responsibility was assigned to Julia Cooksey in February 2018. Another key staff person that left was Terri Jentz, who was responsible for developing deployment opportunities with the Tribes in California. Ms. Jentz mapped forty Rancherias and presented several options for Frontier to deploy facilities in several of these Tribal lands which are in great need of broadband infrastructure. After her departure, CETF has no indication that any of her mapping work for Tribal lands is being considered by Frontier as it plans its deployment of upgraded infrastructure. Staff departures became a pattern that slowed MOU compliance progress and distinctly changed the company tone of the CETF-Frontier relationship. Initially, the relationship between the two was collegial and collaborative; now CETF would characterize their relationship as adversarial with Frontier attempting to bully CETF into ending the CBO program and reducing the device giveaway as the price to pay for a new viable affordable broadband plan.

The Affordable Broadband Offer program was slated to launch by July 1, 2016, but was delayed by the changes in Frontier personnel as noted above. Effective July 1, 2016, Frontier and CETF executed an Implementation Agreement (Exhibit 1) to implement the MOU. In addition to the \$3 million CBO commitment outlined in the MOU, Frontier agreed to also fund an additional \$50,000 (to be paid to CETF in two payments, one \$25,000 payment within 30

days and the second \$25,000 on July 1, 2017) to support learning community meetings and activities for the broadband adoption initiative with CBOs.¹⁶ In the Implementation Agreement, Frontier agreed to disburse \$3,050,000 to CETF and to ship up to 50,000 WiFi capable, Internet-ready devices to the CBO partners or customers given certain notifications by CETF or its CBOs, and certain reporting by CETF of unused funds for this purpose. CETF agreed that the funds and devices would only be used for the purposes set forth in the MOU. The two parties agreed to meet at least twice a year to review and confirm the distribution of devices and funds, and two principal contacts for each entity was designated, Tressa Bader, the VP/GM, California North for Frontier, and Susan Walters, Senior Vice President for CETF. In an Exhibit A to the Implementation Agreement, a proposed payment schedule from Frontier to CETF was set forth based on CBOs obtaining home broadband adoptions:

Q1 2016	\$525,000
Q2 2016	\$500,000
Q3 2016	\$335,000
Q4 2016	\$335,000
Q5 2017	\$360,000
Q6 2017	\$335,000
Q7 2017	\$335,000
Q8 2018	\$325,000
	\$3,050,000

The second problem had to do with the fact that the Affordable Broadband Offer of Frontier for low-income households was tied to an eligibility requirement the household must subscribe to a Lifeline telephone service plan from Frontier. During MOU negotiations, CETF had objected to a Lifeline eligibility requirement for many reasons, but Frontier insisted this Lifeline requirement was the simplest and fastest way to establish a low-income verifier, and ultimately CETF acquiesced. Requiring Lifeline put at least three major barriers in place for low-income consumers. The Lifeline paperwork process to show proof of eligibility is time-consuming. The second major barrier resulting from the Lifeline application process begins after

¹⁶ See Exhibit 1, Implementation Agreement, at page 1, Section A.3. These workshops and meetings are known as “Learning Community” meetings to help the CBOs share best practices.

installation; the first bill that arrives to a Lifeline customer shows the higher market rate price and the normal required deposits for retail customers. It is the experience of CETF after a decade of work in this area that the big dollar figure on the first bill¹⁷ shocks low-income customers to the extent that a number of them immediately cancel service.¹⁸ A third major barrier is that the Lifeline rules allow households only one subsidy, so if customers currently use their Lifeline subsidy for mobile service, they would need to give up mobile phone service or pay full retail price for it. Further, it is widely recognized by the study of the FCC that the number of landline customers is dropping dramatically¹⁹ so it is a burden to require low-income customers to subscribe to landline telephone service when what they really want is broadband and wireless phone service. In fact Frontier told CETF that Verizon had 150,000 Lifeline customers when the MOU was negotiated and now it has less than half Lifeline customers.

In fact, as CETF feared and expressed during the MOU negotiations, the Lifeline requirement proved to be a high barrier that discouraged potentially eligible households from subscribing to the Affordable Broadband Offer to the point that, by April 2017, Frontier had acknowledged to CETF that it needed to remove the Lifeline requirement from the Affordable Broadband Offer in order to meet the goal. Seven months after beginning the effort, as of March 2017, Frontier had reached only 2% of its goal for 200,000 households subscribed to the Affordable Broadband Offer, and CETF with a dozen of its CBOs had reach 9% of its goal for 50,000 subscribers. At that rate, for the entire three-year program contemplated in the MOU, only 8,000 adoptions would be achieved by June 2018. CETF expressed its deep concern about the Lifeline eligibility criteria and urged Frontier to revise its offer immediately in order to reach the MOU goals. Frontier acknowledged the slow uptake by low-income subscribers for the offer, and stated it would revise the offer to be more attractive. As of April 30, 2018, a full year after Frontier acknowledged that the Offer was flawed, the CETF CBOs and Frontier have in fact

¹⁷ The first bill can range between \$70 to \$300. The first bill is typically sent 6 to 15 days after installation.

¹⁸ A credit later is applied to the new Lifeline customer's account that is retroactive, but it is usually after the due date of the first bill.

¹⁹ In 2010, there were 11,477,913 telephone working lines in California, but by 2016, there were only 6,229,123 working lines. There was a 6.96 % decrease between 2014 and 2016. See CPUC California Wireline Telephone Service Quality Pursuant to General Order 133-C and 133-D, Calendar Year 2014-2016, CPUC, Communications Division, Staff Report, May 8, 2018.

http://www.cpuc.ca.gov/uploadedfiles/cpuc_public_website/content/utilities_and_industries/communications_-_telecommunications_and_broadband/service_provider_information/2014-2016%20servicequality%20staff%20report%20may%202018.pdf

achieved only 9,173 subscriptions, 190,827 subscribers short of the 200,000 household goal. Yet the revised offer promised by Frontier is still not available.

The third problem was that inadequate funds were allocated by Frontier to fund the CBOs who would perform outreach work into eligible communities to sign up households to the Affordable Broadband Offer. During the MOU negotiations, CETF had estimated it would cost about \$10 million to achieve 50,000 broadband adoptions by the CBO partners, based on the experience CETF has running broadband adoption programs for a decade and using a \$250/household adoption number established in the record of the Comcast merger docket with Time Warner Cable before this Commission.²⁰ Frontier challenged the adoption calculation of CETF and only agreed to provide \$3 million (\$60/household) in the MOU to fund CBOs that would perform outreach into the eligible communities and assist in signing up new subscribers to broadband service. CETF has done extensive outreach to more than 4,000 CBOs and school districts in Frontier's service areas and conducted conference calls with prospective grantee partners. CETF received a very modest response because the funding at \$60/per adoption even with a free Internet device for the low-income household was seen as much too low for the hours required to educate and assist customers with broadband adoption by the CBO.²¹

A fourth problem is that Frontier did not provide the required detailed implementation plan on its MOU commitments which CETF raised as a key issue in December 2016 and March 2017 timeframes. Frontier proffered two "plans" to CETF, one of which described at a high level the number of households to be built using Connect America Fund Phase II funds for only one area of the state. The infrastructure plan only listed counties/towns where upgrades would take place that year, but no street names or area names. Frontier also gave CETF a single adoption plan that was high level and did not in any way detail a realistic implementation plan for Frontier and the CBOs to achieve the 200,000 household adoption goal. Frontier improperly

²⁰ Broadband adoptions as measured by verified new subscriptions can be achieved for \$250 per adoption if incumbent ISPs are sincere partners in advertising affordable offers and community sign up events. This is acknowledged in the Proposed Decision of Commissioner Guzman – Aceves, dated May 18, 2018, in Phase 1 of the CASF Rulemaking in Rulemaking No. 12-10-012, at footnote 22, at page 10.

²¹ It is CETF's experience that it takes 4-5 contacts to encourage persons in an unconnected household to subscribe to broadband. The CBO representative must first explain the benefits of broadband to encourage them to spend their scarce dollars on a new monthly service. Then the CBO explains the cost and plan details of all ISP available affordable offers to see what best meets the needs of the household. Then the CBO helps them through the application process and providing eligibility documentation. Finally, the CBO will follow up to ensure Internet service is actually turned on, assist with the device receipt and set-up, and referring them to take a digital literacy course in the community.

insists that its “detailed plans” to achieve its MOU obligations are company confidential despite the fact that the MOU does not require any confidentiality of such plans.

In about April 2017, Frontier and CETF were actively discussing a revised Affordable Broadband Offer. In late June 2017, Frontier presented to CETF a revised Affordable Broadband Offer that contained these elements:

(1) Changes the eligibility requirement from the Lifeline telephone program, to a new eligibility requirement of Supplemental Nutrition Assistance Program (“SNAP”), Supplemental Security Income (“SSI”), or National School Lunch Program (“NSLP”).

(2) Raises the monthly service rate from \$13.99 per month to \$14.99 per month.

(2) Increased broadband speed from 7 Mbps or higher to 25 Mbps or higher depending on the availability in the area.

(3) Put in a new \$5 per month charge for a WiFi router rental fee.

(4) Keeps self-installation charge free but if it required a truck roll for a Frontier tech to install, then the charge was \$60.

(5) Provides a free device to low-income household when subscribing through a CBO, but Frontier sought to divert 22,500 devices out of 50,000 devices from the agreed upon CBO-CETF channel to its own Frontier sales channels.

(6) Contains an end date of June 2018.

CETF did not accept this offer and indicated various aspects that were not acceptable, such as the installation fee for a tech visit and the end date.

In a Memorandum dated July 7, 2017 (Exhibit 2), Ms. McPeak and Ms. Walters of CETF formally objected to the revised Frontier Affordable Broadband Offer proposal, including among other things, the rate increase of \$1/month, the addition of the \$5/month WiFi router rental fee, the \$60 truck roll installation fee, and most distressingly, Frontier’s proposal to end the CBO program as of June 2018, despite Frontier’s late start to launch the Affordable Broadband Offer. Discussion over the proposed Frontier continued between CETF and Frontier via emails and orally, with CETF expressing its serious concerns about the revised offer but trying to find a solution in good faith to move forward with a viable broadband offer to reach the mutually agreed upon 200,000 household goal.

In various emails dated July 18-19, 2017, Ms. Walters from CETF and Ms. Kinney and Mr. Torres from Frontier attempted to negotiate the revised Affordable Broadband Offer. (Exhibit 3)

In a Memorandum dated August 9, 2017 (Exhibit 4), Ms. McPeak wrote to Ms. Kinney, Vice President State Government Affairs of Frontier, describing the many issues remaining. In addition to the terms of the broadband offer, another contentious issue had to do with the obligations of Frontier to connect 7,000 unserved households in the Northeast Region to broadband pursuant to the Joint Protestors Settlement. CETF did its part to co-convene the stakeholders in the Northeast Region to review a framework to reach as many unserved and underserved households as possible. CETF and California Center for Rural Policy (CCRP) at CSU Humboldt had convened a meeting on June 23, 2016, but to date, Frontier has failed to inform the Northeast region of its compliance plan for infrastructure despite the fact that this commitment was required by the Frontier Decision. Similarly, in Exhibit 4, Ms. McPeak noted it was convening stakeholders in the Inland Empire area in September 2016 with Frontier to listen to its deployment plans for this area. Frontier changed personnel and this investment of time was lost. As noted in the MOU, Frontier was to provide a detailed implementation plan on all its infrastructure obligations under all the MOUs approved in the Frontier Decision.

Finally in December 2016, Frontier sent a *confidential* “California Broadband Infrastructure Plan”²² to CETF that was not detailed enough to be in any way useful to the Inland Empire local stakeholders, plus it was marked confidential such that CETF could not share it with local stakeholders. A revised plan, dated March 7, 2017, also was not sufficiently detailed to be useful in assisting or supporting Frontier’s infrastructure plans for the region. This revised plan again merely set forth county names and city/town names, with the total number of households it planned to build in 2017 only, for CAF II, Northern California 10 Mbps/1 Mbps speed, and statewide 25 Mbps speed. Frontier claimed its more detailed plans were company confidential, but this violates the MOU which requires the plan to given to CETF.²³

CETF also raised a major issue of the MOU obligations of Frontier to provide 50 WiFi locations. CETF asked for a timetable to ensure Frontier would meet the MOU WiFi location

²² CETF has not attached this plan to this petition since it was marked confidential by Frontier but will provide it to the Commission if requested.

²³ Frontier has a pattern and practice of stating its infrastructure build information is company confidential. The MOU did not state the plan would be confidential.

dates and to ensure that there was public notification of the availability of the 50 WiFi locations. (Exhibit 4, at 2) Four staff changes have delayed and apparently changed Frontier's commitment to provide the free 50 WiFi locations to the public. There have been four Frontier employees working on this effort (Mr. Trent, Mr. Kamagai, Mr. Torres and Ms. Cooksey). The third one, Mr. Torres, leading this effort recently left the company in January 2018, and a new employee Ms. Cooksey has taken over. On November 30, 2017, Mr. Torres confirmed that ten locations had been installed and that "We anticipate 6-7 total installed hotspots by year-end bringing the total to 16-17." (Exhibit 5) At that point 10 installations were confirmed, 20 more locations had been identified, it was anticipated that six of these 20 would be installed by end of 2017 (which has never been confirmed to CETF), and 20 more locations remain to be identified. CETF has been unable to get confirmation on the installation of the twenty identified locations, and a proposal for the remaining 20 locations until the present date of this filing.

After an August 9, 2017 in-person meeting, little progress was made on the revisions to the Affordable Broadband Offer or the timing of availability. Frontier sought to have CETF agree on changes that raised rates and charges, but there was no agreement by CETF on terms. The next time Ms. Kinney mentioned the revised affordable offer was at the October 4, 2017 Community Advisory Committee meeting and she stated she would send CETF a written agreement to sign containing a revised broadband offer. Ms. Walters stated the two were not yet in agreement on the terms.

Frontier presented its revised affordable broadband offer in an "Amendment No. 1" to the Implementation Agreement (Exhibit 6) proposed by Frontier to CETF on or about October 16, 2017 via email. Frontier sought to condition the release of the revised Affordable Broadband Offer on CETF signing the Amendment No. 1, which would relieve Frontier of the MOU obligation to provide 50,000 devices to CBOs and instead proposing that Frontier distribute 22,500 devices to its customers through its own sales channels, and of its obligation to provide \$3 million to CETF for grants to CBOs to perform adoption work. CETF refused to sign Amendment No. 1. CETF strongly objected because it significantly reduced Frontier's MOU obligations as to providing the full 50,000 devices to low-income households, and abruptly ended the CBO outreach program before the MOU end date. Frontier made clear that both the device distribution program and CBO grant program would end on June 2018.

Ms. Walters replied that that CETF might agree to some of the offer terms but not to the CBO and device program ending June 2018. Notably Frontier sent Amendment 1 without referring to the revised end date in the cover message, but including a separate attachment that said the program would end June 2018. Ms. Kinney told Ms. Walters that Frontier would discuss options after June 2018. It is the contention of CETF that Frontier wants to put the new revised offer on the market after June 2018 and offer Internet-enabled devices only to customers who sign up with Frontier for service, because it does not wish to comply with the MOU provision that allows CBOs to sign up a new low-income subscriber to any affordable broadband offer by any Internet Service Provider in the Frontier service area. A major aspect of the MOU CETF negotiated with Frontier is that the CBOs are there to educate consumers about the different service provider options and choose the best option for their needs. In short the CBOs train customers how to be good consumers. This is an essential part of the public benefit. Otherwise the CBOs would improperly act as a *de facto* sales force for Frontier. CETF has operated on this premise since the beginning with similar funds for broadband adoption programs from AT&T, Verizon and now with Charter.

Ms. Walters continued in regular communications with the Frontier marketing personnel after October 16, 2017, and they told her that more delay ensued as to the availability of the revised Affordable Broadband Offer because of the IT department. Frontier told Ms. Walters the entire Affordable Broadband Offer might be withdrawn if she didn't sign the Amendment No. 1 to the Implementation Agreement.

On January 16, 2018, Ms. Walters responded by sending Ms. Kinney a redlined copy of the Amendment, with changes requested from CETF. (Exhibit 7) Most important, Ms. Walters' edits made clear again (also in the August 9th letter from Ms. McPeak) that due to the goal of 200,000 households, CETF requested that Frontier 'reset the clock' once the revised offer was in place in order to achieve the 200,000 household goal, since there were so few households achieved under the prior nonviable offer. CETF suggested a maximum of three years but would reduce it once the 200,000 household goal was reached.

On January 25, 26 and 30, 2018, Ms. Walters and Ms. Kinney had further email exchanges which conclude with Ms. Walters restating what she believed heard from Ms. Kinney in a January 30th email. (Exhibit 8) Because CETF refused to sign the Amendment No. 1, Ms. Kinney told Ms. Walters that Frontier will move ahead with revising a new broadband affordable

offer delinked from Lifeline, but Frontier would not make the revised offer available to the CBO grantees. Further, Frontier refused to extend the MOU partnership beyond June 2018, which essentially meant terminating all CBO grantees from their outreach work and the device program that went with it. After CETF objected, on January 30, 2018, Ms. Kinney backtracked and stated Frontier would allow the CBOs to market the modified low-income offer but it would not extend the device offering beyond June 2018. (Exhibit 9)

On February 12, 2018, Ms. McPeak wrote a Memorandum to Ms. Kinney after their February 7, 2018 meeting to communicate again the serious concerns of CETF about the MOU compliance of Frontier and seeking to resolve the many remaining issues that continued. (Exhibit 10) Ms. McPeak applauded the Frontier commitment to decouple the Lifeline program from the Affordable Broadband Offer, while expressing concerns regarding the \$5 cost per month for the router. She urged Frontier to release the revised offer as soon as possible because it would not be feasible for Frontier to meet its public benefit obligation of 200,000 adoptions with the current Lifeline offer. She further stated, “It is inappropriate to withhold release of the revised affordable offer as leverage to try and force CETF to agree to unacceptable interpretations of the MOU.” She expressed again continuing serious concerns about the ability of Frontier to meet its 200,000 household public interest obligation with the current offer, and the amount of funding (\$60/adoption) providing to the CBOs to achieve 50,000 adoptions. She stated that “The delay in releasing a viable affordable offer constitutes in effect a ‘suspension’ of the timetables in the MOU for achieving adoptions. As we have previously communicated, we consider the 2-year period for community-based organizations (CBOs) with grants from Frontier and support from CETF to achieve 50,000 adoptions begin when a viable affordable offer is released. We recommend that we amend the MOU to reflect this reasonable resolution. We also are willing to apply this same approach to Frontier’s obligation to achieve another 150,000 adoptions (total of 200,000) in a 3-year period.” CETF notified Frontier that it will have under grant agreement by July 31, 2018, the current 2-year period per the MOU, a total of \$3 million to CBOs and commitments to distribute a total of 50,000 devices. She supported modification of the MOU to allow Frontier to also distribute devices “as long as it does not impact the existing grantees from having an equal right to distribute devices until a total of 50,000 have been distributed.” (Exhibit 10 at 2) As an alternative, she proposed that Frontier transfers the funds for the balance of its obligations to CETF on or before July 2018 to satisfy its MOU obligations.

She reiterated the request for a detailed plan from Frontier for all deployment obligations to measure its compliance with the MOU. Following up on the meeting and a conference call, CETF also asked for a specific, reliable timetable for developing the Northeast Region Project and submitting a CASF application to the Commission for funding. (Exhibit 10 at 3)

On March 1, 2018, Ms. Kinney responded to Ms. McPeak in an email. (Exhibit 11) Ms. Kinney stated that Frontier was complying with the MOU but at the same time, acknowledged that it was the preference of Frontier to change the MOU to delink the affordable broadband product from Lifeline eligibility. She claimed that negotiations had resulted in a revised product that CETF had agreed to (not true) but when it was sent to CETF on October 16, 2017, she claimed surprise that it was rejected by CETF on January 16, 2018. She specifically stated that, “Absent an executed agreement to modify, Frontier is continuing to work diligently to meet the requirements under the existing MOU and remain in compliance with the CPUC decision while also continuing to work internally toward offering an affordable broadband product separate from Lifeline service.”

On March 5, 2018, Ms. McPeak responded in a Memorandum to Ms. Kinney clearly notifying Frontier that CETF considers Frontier out of compliance with the MOU obligations. (Exhibit 12) Of the many Frontier actions showing it is out of compliance, she cited that Frontier failed to provide a detailed plan for infrastructure deployment by December 1, 2016, and it has failed to move forward to collaborate with local stakeholders in the Northeast Region. Further, Frontier failed to provide a viable Affordable Broadband Offer to realistically meet its obligation to achieve 200,000 adoptions by low-income households as confirmed by its own experience in marketing, and this has in effect suspended the timetables in the MOU as Frontier spent a year working to develop and get permission to offer a replacement viable affordable offer (which is still not released as of the date of this petition). Ms. McPeak noted that the marketing personnel of Frontier has told Ms. Walters that the revised offer could not be released due to the IT department having to do more work on it. This was a familiar refrain as Frontier marketing and customer relations personnel had made similar statements on November 9, 2017 and February 23, 2018. (Exhibit 12 at 1) Further, Ms. McPeak stated that starting on October 1, 2017, Frontier sent a document (see Amendment No. 1, Exhibit 6 hereto) to CETF attempting to condition the release of a new viable affordable broadband offer on CETF relieving Frontier of the MOU obligations to provide 50,000 devices (seeking to divert 22,500 devices to Frontier’s

own sales channels) and thus in practical impact, reducing the \$3 million in grants to CBOs provided for under the MOU. CETF again reiterated that it refused to sign to Amendment No. 1 and stated unequivocally, “CETF considers that an absolute public benefit obligation on the part of Frontier is for you to provide 50,000 Internet-enabled devices and \$3 million in grants to CBOs. CETF will not agree in any way or form to relieve you of that obligation as of an arbitrary date because of delays by Frontier to comply with the MOU.” Ms. McPeak indicated that these actions have caused CETF to conclude that Ms. Kinney is representing the corporate position, that Frontier intends to escape its obligations to provide 50,000 devices to low-income households and \$3 million to CBOs for adoption work, and that it intends to try and escape its obligations to obtain 200,000 adoptions by low-income households. She indicated that CETF would begin actions to ensure compliance with these public benefit obligations. She specifically notified Frontier that CETF will encumber by June 30, 2018, through grant agreements with CBOs or other non-profit organizations the distribution of 50,000 devices and \$3 million to support broadband adoption. She requested Ms. Kinney transfer to CETF the remaining \$2 million for CBO grants and the \$25,000 balance for the Grantee Learning Communities that was due July 1, 2017 and remains unpaid by Frontier. (Exhibit 12 at 2)

On March 18, 2018, Melinda Guzman, CETF General Counsel, sent a letter to Frontier’s Executive Vice President, General Counsel and Secretary Mark D. Nielsen, seeking resolution of the failed MOU performance of Frontier. (Exhibit 13)

On March 29, 2018, Ms. McPeak sent a letter to Frontier’s CEO Daniel J. McCarthy notifying him that CETF finds Frontier out of compliance with the MOU. (Exhibit 14). She noted her communications with Ms. Kinney on our position on August 9, 2017 and February 12, 2018, and sought to confirm if this was the company’s official corporate position. She indicated that CETF would seek regulatory and legal assistance to ensure that Frontier complies with its public benefit obligations pursuant to the MOU. She indicated CETF remained open to working with Frontier to reach agreement on a satisfactory timetable for Frontier to comply with the MOU. She clearly indicated the areas where Frontier was deficient in its public benefit obligations: (1) lack of a detailed plan to meet the its broadband deployment public benefit obligations; (2) not working in good faith with CETF and the Regional Consortium on developing a plan to drive towards 98% deployment in the Northeast Region or notify CETF to indicate that Frontier does not intend to take the lead for the project; (3) failure to achieve

200,000 broadband adoptions by low-income households with a reasonable or realistic plan to achieve that goal including release of a revised unbundled from Lifeline affordable offer that is viable and competitive; (4) failure to provide the balance of \$3 million in funding for grants to non-profit CBOs (\$2 million for grants plus \$25,000 more for grantee learning workshops), and (5) failure to purchase 50,000 WiFi capable tablets for distribution by the CBOs to achieve 50,000 of Frontier's obligation for 200,000 adoptions by low-income households. CETF stated unequivocally, "CETF will not agree in any way or form to relieve Frontier of your public benefit obligations as of an arbitrary date because of delays by Frontier to comply with the MOU."

On April 10, 2018, Ms. Walters notified Ms. Klava and Ms. Kinney that CETF will have encumbered by June 30, 2018, with CBO grantees the 50,000 devices and the \$3 million specified in the MOU, and that things were moving forward with the California Department of Tax and Fee Administration (formerly the Board of Equalization) to obtain a tax exemption so that CETF could accept the devices without having to pay sales tax on them, thus saving Frontier over \$450,000. (Exhibit 15)

On May 10, 2018, a telephone call took place between Mr. Nielsen of Frontier and Ms. McPeak and others from their respective organizations to discuss the dispute. On May 24, 2018 a second conversation occurred which again did not resolve the dispute. To date, CETF has engaged in significant good faith efforts to do its part to bring about the public benefits of the MOU, as evidenced by the extensive efforts above.

V. Frontier's Actions to Date Show It Is Impossible for Frontier to Comply with All Obligations Under the CETF MOU and that It Does Not Intend to Honor Them

As of the date of this Petition, Frontier has failed to meet its MOU commitments. It has failed to communicate any detailed or reasonable plan that will result in it achieving the 200,000 household broadband adoption goal by the end of the three-year period set forth in the MOU. Frontier made its Affordable Broadband Offer available as of mid-August 2016. Under the MOU,²⁴ Frontier is obligated to fund the CBO partners for two years, and this should begin from the actual first date of the original offer (August 2016), and extended two full years from the release of the revised offer.

²⁴ Frontier Decision, Appendix E, Attachment A (MOU), at pages 6-7.

As of April 3, 2018, the total number of subscriptions achieved under for the current flawed Affordable Broadband Offer from Frontier stood at 9,173. Of that, CETF and its CBO partners were responsible for 1,454²⁵ and Frontier obtained 5,998. In addition, CETF and its CBO partners achieved 1,721 broadband subscriptions *to other ISPs* in the Frontier service area in the same time period.²⁶ That means Frontier has achieved 5,998 subscriptions compared to a total of 3,335 broadband subscriptions achieved by CETF and its CBO partners for all ISP offers. Of the 200,000 household goal, CETF has been working toward 50,000 households, and Frontier was working towards 150,000 households under their MOU. Thus at present, CETF has achieved 7% of its goal (3,335/50,000), while Frontier has achieved only 4.5% (5,998/150,000). Frontier and CETF lack 190,827 households to reach the 200,000 goal.

Frontier representatives have stated that if CETF refuses to sign the Amendment No. 1, Frontier will discontinue the CBO program as of June 30, 2018. CETF already has executed grant agreements that total \$3 million and 50,000 devices intended for low-income households who adopt broadband that won't be available if Frontier is allowed to abandon its public benefit objections. And, Frontier will have only a year and a half to achieve the remaining 190,827 households by itself.²⁷ Frontier is not acting in good faith to arbitrarily cut off the CBO grant program after has CETF waited a year for Frontier to produce its promised revised viable offer to reach the goal (or even something reasonably close).

By terminating the CBO program, this effectively means Frontier will not perform its MOU obligation to pay for and fund 50,000 WiFi-capable, Internet-enabled devices for the non-profit CBOs to distribute to low-income households who sign up for broadband service for the first time. Further, as Frontier sought to force CETF to accept its more expensive revised offer, Frontier tried to remove 22,500 devices from the 50,000 devices it is committed to provide to CBOs under the MOU, and instead distribute 22,500 devices instead through its own sales channel.

²⁵ The 1,454 number represents the number of sign-ups that Frontier has credited to CBOs. CETF notes that its records reflect CBO sign-ups at 1,614 as of April 3, 2018. The difference in these numbers can be attributed to timing when an order shows complete in the Frontier system and CBO tracking numbers missing from customer account records. Frontier and CETF true these numbers up periodically.

²⁶ The MOU allows CETF and its CBO partners to sign up low-income households with any Internet provider on a company neutral basis in order for the eligible subscriber to choose the best plan for needs of the households.

²⁷ This number is derived from 200,000 minus 9,173 (total number of subscriptions to Frontier plus the other providers). See Appendix E, Attachment A, MOU, at page 6, for the reference to the aspirational target of 200,000 enrolled Lifeline broadband customers over three years.

Of the \$3,050,000 Frontier was to pay CETF for CETF to pass it through in grant payments to the CBOs for broadband outreach, Frontier has only paid CETF \$1,025,000. CETF is paid according to progress by CBOs on sign-up targets for the affordable offer. However, Frontier has acknowledged its original offer was flawed and non-competitive in the marketplace,²⁸ yet Frontier has retained it and stalled implementing an improved offer for at least a year in order to not pay CETF and the CBOs the remaining \$2,025,000 due.

As of the date of the Petition, Frontier has installed only “16-17” of the 50 public WiFi locations that it committed to in the MOU.²⁹ Frontier was committed to identify the 50 public locations by April 2017. It identified 20 more in October 2017 and has yet to provide confirmation about the installation of these, so 40% of the sites are yet to be identified and 80% of the sites remain to be installed.

As of the date of the Petition, Frontier has failed to deliver a detailed plan as to how it will deliver broadband access to 107,000 unserved households as required under the Frontier Verizon Merger decision in its service area, including 7,000 households in the six counties in northeastern area of California, including the counties of Modoc, Shasta, Lassen, Plumas, Siskiyou and Tehama. It has also failed to deliver its detailed plan as to all its infrastructure upgrades contained in MOU, item 11, at pages 5-6.

By June 30, 2018, CETF will have encumbered through grant agreements with CBOs or other non-profit corporations the distribution of the 50,000 computing devices and \$3 million in grant funding in full performance of the MOU, thus CETF is at risk for the failure of Frontier to perform its MOU obligations as previously ordered by the Commission. The \$3 million goes entirely to the CBOs (and not to CETF) for performing broadband adoption program work for Frontier. This will disrupt the expectations and operations of numerous CBOs who stand ready to perform the grant work in the low-income communities who are the intended beneficiaries of Frontier’s MOU obligations.

²⁸ For example, Charter, through Spectrum Internet Assist offers a similar price point of \$19.99 per month and considerably more speed (30 Mbps download) and an easier qualification process. Charter pre-qualifies low-income households by mailing them a letter stating they are pre-qualified and provides a number to call where the representative knows the household is pre-qualified as low-income.

²⁹ See Exhibit 5, email from Jesus Torres of Frontier stating on November 30 2017 that he anticipates six to seven total installed hotspots by end of 2017 bringing the total hotspots to 16 or 17.

VI. Legal Standard for Petition for Modification

Rule 16.4(b) of the Commission's Rules of Practice and Procedure governs a party's request for modifications to an issued decision. Rule 16.4(b) states:

A petition for modification of a Commission decision must concisely state the justification for the requested relief and must propose specific wording to carry out all requested modifications to the decision. Any factual allegations must be supported with specific citations to the record in the proceeding or to matters that may be officially noticed. Allegations of new or changed facts must be supported by an appropriate declaration or affidavit.

Typically, successful petitions for modification are based upon a showing of new or changed facts. All such new or changed facts must be supported by a declaration. Further, if the request for modification is made more than one year after issuance of a resolution or decision, the petitioner must explain why its petition could not have been submitted sooner. The Commission will not consider issues that are simply re-litigation of issues that were decided in the underlying decision.

As discussed above, CETF brings forward new and material facts plus changed circumstances that warrant a modification of D.15-12-005 in order to obtain this Commission's order that Frontier immediately and fully comply with the broadband related provision of the MOUs. Sunne McPeak and Susan Walters have provided a sworn declaration supporting these new and material facts, which support this petition.

This Petition to the Commission follows over two years of good faith oral, written and in-person communications between CETF and Frontier concerning implementation and performance of its MOU obligations. While CETF has found the Frontier marketing staff to be generally cooperative and working in what appeared to be good faith, CETF has not found the regulatory and senior leadership to be cooperating in good faith or attempting to collaborate to meet MOU obligations of Frontier.

CETF was not able to file this petition for modification within a year of the Decision's issuance because at that time in December 2016, it was trying in good faith to work with Frontier. Once Frontier communicated it wanted to substantially reduce its obligations in exchange for a revised affordable broadband offer in June 2017, CETF then attempted to negotiate something more acceptable for eleven months. When that was not successful, CETF then brought what it viewed as an imminent breach of the MOU to the attention of the Frontier

leadership (the CEO and General Counsel) attempting to communicate the issue to headquarters for a number of months. Finally, in conversations on May 10 and 24, 2018, between and among CETF President and CEO Sunne Wright McPeak, Senior Vice President Susan Walters, General Counsel Melinda Guzman, and Special Counsel Rachele Chong and Frontier General Counsel Kevin Saville, attorney Charles Carruthers, and California Vice President for State and Government Affairs Jacqueline Kinney, the Frontier General Counsel stated that Frontier has complied with the MOU and thus indicated Frontier does not intend to meet the public benefit obligations.

By numerous actions as set forth above, Frontier has indicated the exact opposite to CETF. It seeks to evade its MOU commitments. After more than two years of good-faith efforts to collaborate and obtain compliance with the MOU obligations, it is with sincere regret that CETF must bring this enforcement matter to the attention of the Commission to order Frontier to comply with its MOU obligations as soon as possible.

VII. Conclusion

CETF hereby brings new and material facts that are verified by its President and CEO Sunne Wright McPeak and Senior Vice President Susan Walters under penalty of perjury that Frontier has not and will not perform the obligations of the CETF-Frontier MOU in Appendix E to D.15-12-005. The declaration of Ms. McPeak and Ms. Walters and the exhibits hereto detail the sincere and good faith efforts made by CETF to perform the terms of the MOU and Frontier's failure to fully comply with its obligations under the Frontier Decision as to CETF and the people of California, and its contention that it has fully complied with the MOU.

In the Recitals to the MOU, Frontier and CETF entered into the MOU "to ensure that there are tangible public benefits derived from the Frontier acquisition of the Verizon wireline network in California." (MOU, Recital 1, page 1) Allowing Frontier to evade its MOU commitments would deprive the people of California – particularly low-income households and unserved and underserved communities – of the public benefits CETF and other consumer groups fought so hard to put in place on their behalf.

As a non-profit organization, CETF has precious few resources to spend on enforcement requests to the Commission. Thus, CETF requests that the Commission swiftly enforce MOU obligations Frontier has and order it to immediately perform them. Further, CETF requests that

the Commission enforce the Joint Protestors Settlement terms relating to the additional households to be served by Frontier with broadband service outlined on pages 57-58, items 1, 2 and 3, of the Frontier Decision. CETF requests the Commission order a penalty under Section 2107 to send a clear message to corporations that settlement obligations struck during a consolidation proceeding are not to be ignored or lightly discarded in proceedings before this Commission.

WHEREFORE, CETF respectfully requests that D.15-12-005 be modified as set forth in Exhibit 16. CETF requests that all MOU broadband-related obligations be ordered by the Commission to be complied with immediately by Frontier:

- Require Frontier to submit a detailed implementation plan to CETF and the Commission to (1) inform eligible and prospective customers about all affordable broadband offers in the Frontier service area, including the content of the communications and information materials, and (2) showing how Frontier plans “with sincere commitment and good faith” to achieve its aspirational goal of 200,000 home broadband subscriptions. Further, require Frontier to continue monthly reporting to CETF executives on the progress being made in enrolling eligible low-income households into its revised Affordable Broadband Offers.

- Order Frontier to install all 50 public locations so that users may access the Internet for free , at locations agreed upon by CETF.

- Order Frontier to broadly market a revised affordable broadband plan for a full three years or at least until December 2020. CETF requests that the revised affordable broadband offer remove the eligibility requirement of being a Lifeline program subscriber of Frontier. The offer should require Frontier to allow third party CBOs to educate consumers about affordable broadband offers from all broadband providers within the Frontier service area for two years from the release date of the revised affordable broadband offer. This revised affordable broadband offer shall include the following terms which Frontier and CETF have negotiated to date:

- (1) Unbundle the Lifeline eligibility requirement and replace with eligibility based on participation in one of these three programs: SNAP, SSI or Medi-Cal.
- (2) Offer the standalone affordable broadband service at \$14.99 per month, with no installation fee, long term contract, or credit check.
- (3) Charge \$5 per month for the WiFi router.
- (4) Upgrade the speeds offered to 25 Mbps download and 3 Mbps upload where available (FIOS areas), otherwise 12 Mbps download and 1 Mbps upload (areas with DSL

technology).

(5) Extend the CBO grant program for broadband adoption outreach managed by CETF with devices by Frontier for eligible households until December 2020.

(6) Immediately pay the remaining \$2,025,000 to CETF for the CBO grant program, due to the fact that CETF has executed grant contracts with CBOs, school districts and public libraries for Frontier work to commence by June 30, 2018.

(7) Complete the purchase and distribution through CETF of all 50,000 WiFi capable and Internet-ready tablet devices for home broadband adoptions achieved by the CBO grant partners (without any diversion of any devices to Frontier sales channels) households in low-income areas with emphasis on youth, people with disabilities, and the elderly.

(8) In addition, consistent with the Frontier Decision, Frontier shall offer broadband connectivity to all Lifeline-eligible Verizon customers at the rate and on the terms contained in the MOU, thus this revised affordable broadband offer should be made available to all Lifeline-eligible Verizon customers also for the same timeframe.

The offer should require Frontier to allow third party CBOs to educate consumers about affordable broadband offers from all broadband providers within the Frontier service area.

Further, CETF requests that the following broadband-related requirements of the Joint Protestors Settlement be enforced by this Commission:

- Frontier be ordered to submit a detailed plan to the Commission, CETF, and the Joint Protesters (ORA, TURN and CforAT), and local stakeholders³⁰ as to how it will deliver broadband access to 107,000 unserved households as required under the Frontier Decision in its service area, including 7,000 households in the six counties in northeastern area of California, including the counties of Modoc, Shasta, Lassen, Plumas, Siskiyou and Tehama. These detailed plans shall indicate what specific streets/town areas where the builds would take place so that the local governmental stakeholders could assist in a meaningful way to facilitate construction to reach the 98% commitments.

- Frontier be ordered to submit a detailed plan to the Commission, Joint Protestors and CETF to show its compliance plan to provide, as agreed to under the Joint Protestors Settlement,³¹ enhanced broadband to 827,00 households in the state as follows: 25 Mbps downstream and 2-3 Mbps upstream speed broadband service to an additional 400,000 households in California by December 31, 2022; 10 Mbps downstream and 1 Mbps speed

³⁰ There is no provision in the MOU for the infrastructure plan to be confidential. Frontier can request local stakeholders (Regional Consortia, local governmental agency officials and employees) to sign non-disclosure agreements if needed.

³¹ See Appendix F to the Frontier Decision, at page 4, items 1-3.

upstream service to an additional 100,000 unserved households beyond its CAF II commitments³² by December 31, 2020, and 6 Mbps downstream and 1-1.5 Mbps upstream service to an addition 250,000 households in California.

- Frontier be ordered to notify CETF, the appropriate Regional Consortia and local governmental stakeholders whether it will be a sponsor for the Northeast Project to provide broadband infrastructure to serve remaining unserved households in that region.

WHEREFORE CETF respectfully requests that the Commission grant this Petition of Modification to order Frontier to promptly and fully comply with its obligations pursuant to Appendices E and F to D.15-12-005, and to report to the Commission's Director of the Communications Division and the relevant settling parties in writing every three months on its progress until all obligations are complete.

WHEREFORE, CETF requests that the Commission order penalties be levied against Frontier under Public Utilities Code Section 2107. Section 2107 states: "Any public utility that violates or fails to comply with any provision of the Constitution of this state or of this part, or that fails or neglects to comply with any part or provision of any order, decision, decree, rule, direction, demand, or requirement of the commission, in a case in which a penalty has not otherwise been provided, is subject to a penalty of not less than five hundred dollars (\$500), nor more than fifty thousand dollars (\$50,000) for each offense." Under the MOU, Frontier was to begin complying with its obligations on July 1, 2016. It has failed to comply with its obligations, and has declined to remedy its failures despite senior level executives being notified of the potential breach by the CETF senior executives and general counsel. Thus, CETF can only conclude that it is intentional that Frontier is shirking its MOU obligations. Therefore, CETF requests a daily fine of \$50,000 a day since July 1, 2016 be imposed on Frontier for failing to comply with its obligations. As of May 29, 2018, the penalty requested by CETF would be for 697 days times \$50,000 daily fine, or \$34,850,000.

³² Under Frontier's CAF II commitments, it received \$192 million from the FCC to deploy 10 Mbps downstream and 1 Mbps upstream to 77,402 California households in accordance with the CAF II requirements in the census blocks designated by the FCC. See Appendix F, page 4, item 2 of the Frontier Decision.

Respectfully submitted,

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May 29, 2018

LIST OF EXHIBITS

- EXHIBIT 1 Implementation Agreement Between Frontier Communications Corporation and CETF, effective July 1, 2016, executed July 22, 2016.
- EXHIBIT 2 Memorandum from Susan Walters and Sunne Wright McPeak to Jackie Kinney, Jesus Torres and Deborah Klava, dated July 7, 2017, discussing Frontier proposal to unbundle affordable broadband offer
- EXHIBIT 3 Memorandum from Susan Walters and Sunne Wright McPeak, CETF, to Jackie Kinney, Jesus Torres and Deborah Klava of Frontier, regarding Frontier Proposal to Unbundle the Affordable Broadband Offer, dated July 7, 2017; email from Susan Walters to Jacqueline Kinney, Jesus Torres and Deborah Klava, dated July 18, 2017, relating to ‘Revised Affordable Broadband Offer’
- EXHIBIT 4 Memorandum from Sunne Wright McPeak, CETF, to Jackie Kinney, Frontier, dated August 9, 2017, entitled “Issues Related to Implementation of the Frontier-CETF MOU”
- EXHIBIT 5 Memo from Frontier’s Jesus Torres to CETF’s Susan Walters, dated November 30, 2017 with subject line “wi-fi hotspots”
- EXHIBIT 6 “Amendment 1 to the Implementation Agreement Between Frontier Communications Corporation and the California Emerging Technology Fund” proposed by Frontier to CETF on October 16, 2017. Never executed by CETF
- EXHIBIT 7 Email from Susan Walters to Jackie Kinney, dated January 16, 2018, entitled “Modification of CETF low-income broadband offering”, with highlighted Amendment 1 (yellow shows CETF suggested edits), and attaching chart showing new offer compared to old one from Frontier.
- EXHIBIT 8 Email Exchange from Susan Walters to Jackie Kinney, dated January 25-30, 2018, re “Modification of CETF low-income broadband offering”
- EXHIBIT 9 Email from Jacqueline Kinney to Susan Walters, dated January 30, 2018, entitled “Modification of CETF low-income broadband offering”
- EXHIBIT 10 Memorandum from Sunne Wright McPeak, Susan Walters, Melinda Guzman, CETF, to Jacqueline R. Kinney, Frontier, dated February 12, 2018, regarding “Implementation of the Frontier-CETF Memorandum of Understanding (MOU)”
- EXHIBIT 11 Memorandum from Jacqueline Kinney to Sunne McPeak, dated March 1, 2018 entitled “Modification of CETF low-income broadband offering”
- EXHIBIT 12 Memorandum from Sunne Wright McPeak, Susan Walters, Melinda Guzman, CETF, to Jacqueline Kinney, Frontier, dated March 5, 2018, entitled “Compliance with the Frontier-CETF Memorandum of Understanding (MOU)”

- EXHIBIT 13 Letter from CETF General Counsel Melinda Guzman to Frontier’s Executive Vice President, General Counsel and Secretary Mark Nielsen, dated March 18, 2018
- EXHIBIT 14 Letter from Sunne Wright McPeak, CETF CEO and President, to Frontier President and CEO, Daniel McCarthy, dated March 29, 2018
- EXHIBIT 15 Email from Susan Walters to Ms. Klava and Ms. Kinney, dated April 10, 2018 re “updates” re: encumbered grants and devices
- EXHIBIT 16 Redlined D.15-12-005 with Requested Edits of CETF