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BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the  
Commission's Own Motion to Comply with the  
Mandates of Senate Bill 1563 regarding  
deployment of Advanced Telecommunications  
Technologies.

R. 03-04-003

**OPENING COMMENTS OF**  
**CITIZENS TELECOMMUNICATIONS COMPANY**  
**OF CALIFORNIA, INC. (U-1024-C) d/b/a**  
**FRONTIER COMMUNICATIONS COMPANY OF CALIFORNIA**  
**CITIZENS TELECOMMUNICATIONS COMPANY**  
**OF THE GOLDEN STATE (U- 1025-C) d/b/a**  
**FRONTIER COMMUNICATIONS COMPANY OF THE GOLDEN STATE**  
**CITIZENS TELECOMMUNICATIONS COMPANY**  
**OF TUOLUMNE (U-1023-C) d/b/a**  
**FRONTIER COMMUNICATIONS COMPANY OF TUOLUMNE**

**PURSUANT TO ORDER INSTITUTING RULEMAKING**

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June 10, 2003

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**FRONTIER COMMUNICATIONS COMPANY OF TUOLUMNE**

**PURSUANT TO ORDER INSTITUTING RULEMAKING**

Citizens Telecommunications Company of California, Inc. (U-1024-C) d/b/a  
Frontier Communications Company of California, Citizens Telecommunications Company of the  
Golden State (U- 1025-C) d/b/a Frontier Communications Company of the Golden State, and  
Citizens Telecommunications Company of Tuolumne (U-1023-C) d/b/a Frontier Communications  
Company of Tuolumne (collectively, the "Frontier Companies") hereby file these opening  
comments in the above-referenced Order Instituting Rulemaking ("OIR") adopted on April 3, 2003.  
The Frontier Companies recognize the importance of encouraging access to advanced  
telecommunications technologies by all segments of society and support the Commission's effort to  
respond to the questions posed by Senate Bill 1563.

This proceeding follows closely on the heels of the recently completed SB 1712 proceeding  
(R.01-05-046) which considered expanding the definition of basic service to include broadband

1 services. In a report issued to the Legislature on August 14, 2002, staff's report recommended  
2 against expanding the definition of basic service to include broadband services. As noted in D.02-  
3 10-060 (October 24, 2002), "The Commission considered whether expanding the definition of basic  
4 service to include broadband was feasible, as defined in the statute, and concluded that it was not,  
5 primarily due to the resulting cost to be allocated to all other users, as well as the monthly price  
6 lifeline customers would be required to pay." In effect, the Commission concluded that mandated  
7 access to advanced technology would be too exorbitant. This proceeding now considers ways in  
8 which the Commission can encourage the availability of advanced technologies without mandating  
9 access to such services.

10 As a general matter, the Frontier Companies have embraced the challenge implicit in the  
11 issues raised by SB 1563. In each of their incumbent local exchange carrier ("ILEC") service areas,  
12 the Frontier Companies have introduced digital subscriber line ("DSL") service. Generally, every  
13 customer within approximately 18,000 feet of a Frontier switch or remote switch, a substantial  
14 portion of the Frontier Companies' customer base, has access to DSL. Accordingly, the Frontier  
15 Companies have met the challenge of increasing availability of broadband services.

16 With these factors in mind, the Frontier Companies respond to the issues identified for  
17 comment in the Order Instituting Rulemaking ("OIR").

18  
19 Issue No. 1:

20 Existing barriers to the ubiquitous availability and use of advanced telecommunications  
21 technology.

22 Response:

23 Barriers to ubiquitous availability of advanced telecommunications technology include the  
24 substantial cost to deploy such technology, the impact on customers for recovery of those costs,  
25 particularly if a subsidy program is created that is funded by an all end-user surcharge, and the  
26 inherent limits associated with a technology that might make availability problematic. For example,  
27 today's DSL is generally only functional within approximately 18,000 feet of a central office or  
28

1 remote switch. Upgrading infrastructure to accommodate this constraint is a significant barrier to  
2 complete deployment of DSL, particularly in rural service areas.

3 In addition, there are regulatory barriers to ubiquitous availability of advanced technologies.  
4 ILECs face substantial regulation in all aspects of their operations, including the provision of  
5 broadband services. In contrast, cable television operators face little of the regulatory oversight  
6 imposed on ILECs. This disparity in regulatory treatment creates an environment that makes ILECs  
7 less inclined to make the substantial, risky investment that is the precursor to widespread  
8 availability of advanced technologies.

9 In addition, today's uncertain economic environment acts as a barrier to deployment of  
10 advanced technologies. Both ILECs and CLECs are struggling to maintain customer base and  
11 earnings, not only because of the economy, but also because of substantial competitive inroads  
12 made by wireless carriers. As earnings deteriorate, it makes it more difficult to invest in advanced  
13 technologies that have uncertain capacity to generate additional revenues.

14  
15 Issue No. 2:

16 Whether new telecommunications technologies or the cost of existing technologies have  
17 changed in ways that would make them more economical to deploy statewide.

18 Response:

19 At a general level, as new technology ages, the technology itself becomes cheaper.  
20 Accordingly, without having researched specific examples, it is likely that a technology that was  
21 "new" five years ago is likely less expensive today. However, recent experience in the  
22 telecommunications industry also tells us that technology changes rapidly. Given the rapidity with  
23 which technology changes, it would be difficult, at best, for carriers to implement state mandated  
24 infrastructure platforms or standards. Infrastructure deployment must be driven by customer  
25 demand and evolving technologies instead of regulatory mandates.

1 Issue No. 3:

2 Whether and how telecommunications technologies and their cost are expected to change in  
3 the future in ways that would make them more economical to deploy statewide.

4 Response:

5 Existing conditions do not indicate that the cost of deploying advanced telecommunications  
6 technology have decreased in any significant amount. Costly investment is required to deploy such  
7 technology, making companies cautious, particularly as it relates to deployment to rural customers.  
8 Regardless of whether broadband services are becoming less costly to deploy, the Frontier  
9 Companies note that dial-up access to the Internet is nearly universal, indicating that those  
10 Californians who desire access to the Internet have an affordable, available means to do so.  
11

12 Issue No. 4:

13 Whether the Commission can or should direct changes in technologies, their deployment or  
14 related infrastructure in ways that would promote more ubiquitous availability.

15 Response:

16 With the exception of defining basic service, the Commission does not have the expertise to  
17 dictate the services or infrastructure that carriers should deploy. To the extent the Commission  
18 attempted to obtain that expertise, presumably through public investigations gathering input from all  
19 interested stakeholders, such expertise would become almost immediately dated because of the  
20 rapid change that is occurring in telecommunications technology. The Frontier Companies are also  
21 concerned that such deployment decisions would be dominated by considerations other than  
22 economic ones. Such decisions should, therefore, be left to the managers of companies whose  
23 business it is to make those decisions. Furthermore, the Commission should not mandate  
24 deployment of particular infrastructure or services unless it is prepared to return to a rate of return  
25 style of regulation which ensures companies earn a return on their investments.  
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1 Issue No. 5:

2 Whether and how existing programs promote the availability and use of advanced  
3 telecommunications technology for inner-city, low-income, and disabled Californians.

4 Response:

5 The Frontier Companies believe that both the federal E-Rate program and the California  
6 Teleconnect Fund ("CTF") further the goal of making advanced telecommunications technologies  
7 available to all segments of California's population by subsidizing services purchased by schools,  
8 libraries and community-based organizations. The Frontier Companies remain concerned, however,  
9 that the cost associated with any technology program should not become overly onerous to  
10 California's end-users. The cost of basic services should not become embedded with so many taxes  
11 or surcharges as to make them unaffordable. Furthermore, the Frontier Companies believe that the  
12 Legislature is the appropriate body to make social policy decisions regarding any substantial  
13 increase in subsidy to expand the availability of advanced telecommunications technology beyond  
14 the recipients of funds from the CTF.

15

16 Issue No. 6:

17 Whether and how open and competitive markets for advanced communications technologies  
18 can encourage greater efficiency, low prices and more consumer choice.

19 Response:

20 Principles of competition suggest that, given a level playing field, competition will drive  
21 down price and satisfy customer demand. However, the free market can be ruthless in what it  
22 decides to offer to consumers. For example, it is unlikely that competition will fulfill the desire to  
23 extend services at affordable prices to rural customers, because the cost to extend services to rural  
24 areas will not be recovered in the absence of external support. Accordingly, competition is only  
25 likely to increase availability of advanced telecommunications technology in markets where demand  
26 is sufficiently vibrant to entice competitors to provide services.

27

28

1 Issue No. 7:

2 Whether and how identified technologies may promote economic growth, job creation and  
3 social benefits.

4 Response:

5 Economic growth, job creation and social benefits are just some of the positive impacts that  
6 can occur from telecommunications generally. However, there is no guarantee that a particular  
7 advanced telecommunications technology will generate these benefits.

8  
9 Issue No. 8:

10 The adequacy of current efforts to provide educational institutions, health care institutions,  
11 community-based organizations, and governmental institutions with access to advanced  
12 telecommunications services.

13 Response:

14 Resolution T-16742 expands the list of services and qualifying organizations eligible for  
15 support from the CTF. The Frontier Companies support this initiative. In fact, the Frontier  
16 Companies believe that the Commission could encourage greater availability of advanced  
17 telecommunications technology by further expanding the CTF to include a broader array of  
18 community-based organizations that provide services to the public consistent with the CTF's goals.

19  
20 Issue No. 9:

21 Whether existing law and policy encourage fair treatment of consumers through provision of  
22 sufficient information for making informed choices, establishment of reasonable service quality  
23 standards, and establishment of processes for equitable resolution of billing and service problems.

24 Response:

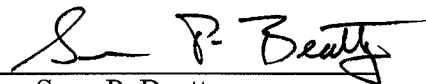
25 The Frontier Companies believe that existing procedures and regulations adequately provide  
26 information to end-users. Tariffs are now widely available on company web sites. LECs are  
27 required to notify customers of new services or changes in service offerings via customer notices or  
28 bill messages. The FCC's Truth in Billing rules ensure customers are informed about the services

1 they have purchased. Accordingly, there are no additional measures the Commission needs to take  
2 in this area to help encourage the availability of advanced telecommunications technology.

3  
4 In summary, the Frontier Companies are working to provide their customers with access to  
5 advanced telecommunications technologies to the extent such investment is prudent. In addition,  
6 the Frontier Companies believe that a properly structured CTF is an appropriate vehicle through  
7 which the Commission can encourage access to advanced telecommunications technologies.  
8 Finally, the Frontier Companies oppose the creation of any other regulatory mandates impacting the  
9 relationship between carriers and their customers.

10  
11 Executed at San Francisco, California this 10th day of June 2003.

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**CERTIFICATE OF SERVICE BY MAIL**

I, Janet K. Doherty, declare:

I am a resident of the State of California, over the age of eighteen years, and not a party to the within action. My business address is COOPER, WHITE & COOPER LLP, 201 California Street, Seventeenth Floor, San Francisco, CA 94111.

On June 10, 2003, I served the foregoing:

**OPENING COMMENTS OF**

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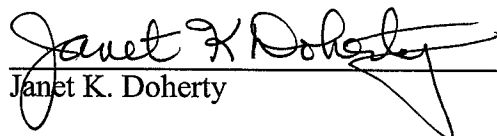
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**PURSUANT TO ORDER INSTITUTING RULEMAKING**

by electronic mail and/or by placing a true and correct copy thereof with the firm's mailing room personnel for mailing in accordance with the firm's ordinary practices to the parties on the CPUC's service list in this proceeding.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on June 10, 2003, at San Francisco, California.

  
\_\_\_\_\_  
Janet K. Doherty

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