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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

REPLY COMMENTS OF

- CALAVERAS TELEPHONE COMPANY**
- CAL-ORE TELEPHONE CO.**
- DUCOR TELEPHONE COMPANY**
- EVANS TELEPHONE COMPANY**
- FORESTHILL TELEPHONE CO.**
- HAPPY VALLEY TELEPHONE COMPANY**
- HORNITOS TELEPHONE COMPANY**
- KERMAN TELEPHONE CO.**
- PINNACLES TELEPHONE CO.**
- THE PONDEROSA TELEPHONE CO.**
- SIERRA TELEPHONE COMPANY, INC.**
- THE SISKIYOU TELEPHONE COMPANY**
- VOLCANO TELEPHONE COMPANY**
- WINTERHAVEN TELEPHONE COMPANY**

PURSUANT TO ORDER INSTITUTING RULEMAKING

E. Garth Black
Mark P. Schreiber
Sean P. Beatty
Dana L. Rice
Cooper, White & Cooper LLP
201 California Street, 17th Floor
San Francisco, CA 94111
(415) 433-1900
(415) 433-5530 - Facsimile

Attorneys for the Small LECs

June 30, 2003

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2 OF THE STATE OF CALIFORNIA

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6 Mandates of Senate Bill 1563 regarding
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20 **SIERRA TELEPHONE COMPANY, INC.**
21 **THE SISKIYOU TELEPHONE COMPANY**
22 **VOLCANO TELEPHONE COMPANY**
23 **WINTERHAVEN TELEPHONE COMPANY**

24 **I. INTRODUCTION**

25 Calaveras Telephone Company, Cal-Ore Telephone Co., Ducor Telephone Company, Evans
26 Telephone Company, Foresthill Telephone Co., Happy Valley Telephone Company, Hornitos
27 Telephone Company, Kerman Telephone Co., Pinnacles Telephone Co., The Ponderosa Telephone
28 Co., Sierra Telephone Company, Inc., The Siskiyou Telephone Company, Volcano Telephone
Company, and Winterhaven Telephone Company (collectively, the "Small LECs") hereby file these
reply comments in the above-referenced Order Instituting Rulemaking ("OIR") adopted on April 3,
2003. Having reviewed the comments of other parties, the Small LECs reiterate their view that for
companies serving rural areas, the cost of deployment, and the recovery of such cost, is a substantial
barrier to the widespread deployment of advanced telecommunications technologies. As discussed

1 in more detail below, the Small LECs oppose the recommendation of several parties that the
2 Commission create a "Blue Ribbon Task Force" to address the issues raised in this proceeding.

3
4 **II. ISSUES IDENTIFIED FOR COMMENT IN THE OIR**

5 **A. Existing Barriers To The Ubiquitous Availability**
6 **And Use Of Advanced Telecommunications Technology.**

7 Similar to several other parties filing Opening Comments in this proceeding, the Small
8 LECs believe that while the ubiquitous availability and use of advanced telecommunications
9 technologies is a long-term goal, barriers exist to the widespread use and availability of such
10 technologies. Because the deployment of new telecommunications technologies is expensive,
11 particularly in rural areas, it is difficult to generate adequate demand to justify the cost of such
12 technology. The primary barrier to the deployment of new technology in rural areas, therefore,
13 stems from the fact that these areas do not have a sufficient customer base to create the demand
14 requisite to fully support the costly investment necessary to deploy new advanced
15 telecommunications technologies.

16 Another barrier to the Small LECs continued investment in advanced telecommunications
17 technologies is the absence of clear Commission policy expressly stating that such investment by
18 the Small LECs will be subject to cost recovery. The uncertainty created by the Commission's lack
19 of guidance on the issue creates a difficult environment in which to justify investment in advanced
20 technologies. For instance, SBC Advanced Solutions Inc. articulates in its opening comments that
21 "to the extent regulatory oversight of one subset of providers complicates, delays, or compromises
22 the opportunities for reward that may come to the providers that bear that risk, such regulation can
23 chill the deployment of new technology the legislature desires to promote."

24 Regarding the issue of identifying barriers and solutions to overcoming those purported
25 barriers, the Small LECs oppose the suggestion of several parties that the Commission establish a
26 "Blue Ribbon Task Force" to consider these issues. This OIR was opened to generate a record on
27 the very topics that the proposed task force would address. Any potential members of the task force
28 have the opportunity to submit their views into the record. If additional time is needed to allow

1 such individuals the opportunity to air their views in the record of this proceeding, the Small LECs
2 are not opposed. However, the Small LECs are opposed to the creation of a group that would likely
3 be highly political and subject to open meeting laws.

4
5 **B. Whether New Telecommunications Technologies Or The**
6 **Cost Of Existing Technologies Have Changed In Ways That**
7 **Would Make Them More Economical To Deploy Statewide.**

8 As articulated in the Small LECs' Opening Comments, and supported by AT&T
9 Communications of California, Inc.'s Opening Comments, the timing and deployment of new
10 technology is largely driven by customer demand for services that rely on the new technology and is
11 not merely based on the existence and cost of such technology. Furthermore, the Small LECs agree
12 with SBC California's comments to the effect that technology is in a constant state of evolution.
13 Accordingly, while a particular technology may become cheaper over time, it is just as likely that
14 such technology is outdated by the time it becomes less costly.

15 **C. Whether And How Telecommunications Technologies And**
16 **Their Cost Are Expected To Change In The Future In Ways**
17 **That Would Make Them More Economical To Deploy Statewide.**

18 Future increased customer demand in rural areas could potentially make advanced
19 telecommunications technologies and their costs more economical to deploy throughout the state.
20 Please see response to Issue "B" above.

21 **D. Whether The Commission Can Or Should Direct Changes In**
22 **Technologies, Their Deployment, Or Related Infrastructure In**
23 **Ways That Would Promote More Ubiquitous Availability.**

24 The Small LECs, like many other carrier companies filing opening comments in this
25 proceeding, continue to believe that the Commission should not direct or mandate future changes in
26 technology, its deployment, or related infrastructure because such issues are fundamental business
27 issues. Thus, the appropriate managers of companies possessing technological, financial, and
28 business expertise should assess such options and fulfill these functions instead.

1 **E. Whether And How Existing Programs Promote The Availability**
2 **And Use Of Advanced Telecommunications Technology For**
3 **Inner-City, Low-Income, And Disabled Californians.**

4 The Small LECs are in agreement with nearly all of the other commenting parties in this
5 proceeding that existing programs, such as the California Teleconnect Fund ("CTF"), promote the
6 availability of telecommunications technology for inner-city, low-income, and disabled
7 Californians, as well as those Californians residing in rural areas, by providing access in schools and
8 libraries.

9 In their opening comments, the Small LECs suggested that the Commission consider a
10 discount similar to the Universal Lifeline Telephone Service ("ULTS") discount on broadband
11 services. The Small LECs continue to believe their proposal merits further scrutiny by the
12 Commission to determine whether an economic, competitively-neutral program that furthers the
13 Legislature's goals is possible.

14 **F. Whether And How Open And Competitive Markets For**
15 **Advanced Communications Technologies can Encourage**
16 **Greater Efficiency, Low Prices, And More Consumer Choice.**

17 Unlike several of the other commenting parties, the Small LECs do not believe that
18 competition should be the primary focus for promoting the ubiquitous deployment of advanced
19 telecommunications technologies in rural areas. Creating false incentives to encourage multiple
20 competitors in a rural market unlikely capable of supporting even one provider of advanced services
21 is unlikely to fulfill the Legislature's goals.

22 **G. Whether And How Identified Technologies May Promote**
23 **Economic Growth, Job Creation, And Social Benefits.**

24 Consistent with nearly all other commenting parties, the Small LECs, too, believe that
25 Internet access promotes economic growth and numerous social benefits. Specifically, the Small
26 LECs agree with Verizon California, Inc.'s belief that society as a whole may benefit from increased
27 Internet access in ways foreseen and unforeseen concerning improved education, healthcare,
28 commerce, and government services. Thus, to the extent that advanced telecommunications

1 technologies further access to the Internet, the associated economic and social benefits will most
2 likely continue to accrue.

3
4 **H. The Adequacy Of Current Efforts To Provide Education Institutions, Health**
5 **Care Institutions, Community-Based Organizations, And Governmental**
6 **Institutions With Access To Advanced Telecommunications Services.**

7 While other commenting parties suggest several actions that the Commission might take to
8 provide various organizations with access to advanced telecommunications services, the Small
9 LECs generally believe that the Commission's encouragement of advanced technologies through the
10 CTF provides an adequate means for the Commission to ensure that consumers are treated fairly.
11 The Small LECs, therefore, believe that a properly-administered CTF is the most appropriate
12 manner for the Commission to encourage access to advanced telecommunications technologies. As
13 previously discussed, however, the Commission may also consider a plan similar to the ULTS
14 program to expand the availability of broadband services. Additionally, many of the Commission
15 actions suggested by other commenting parties (e.g., block grants from the general fund) would
16 require the Commission to become too involved in strategic planning decisions of companies and
17 would be overly costly to administer.

18 **I. Whether Existing Law And Policy Encourage Fair Treatment Of Consumers**
19 **Through Provision Of Sufficient Information For Making Informed Choices,**
20 **Establishment Of Reasonable Service Quality Standards, And Establishment**
21 **Of Process For Equitable Resolution Of Billing And Service Problems.**

22 The Small LECs reiterate their position that additional regulatory mandates should not be
23 considered in this proceeding because the law currently applicable provides adequate means for the
24 Commission to ensure that consumers are treated fairly.

25 **III. CONCLUSION**

26 Based on the foregoing, the Small LECs urge that cost recovery and customer demand are
27 by far the most significant factors in determining whether to deploy advanced telecommunications
28 technology, particularly in rural and other high-cost areas. Thus, the Commission could assist such

1 deployment in these areas by providing adequate assurance that rate-of-return-regulated carriers will
2 have an opportunity to recover their investments in these new technologies. Further, the Small
3 LECs are opposed to any additional regulatory mandates by the Commission which would
4 inappropriately impact the relationship between the carriers and their customers and undercut a
5 company's ability to make its own business decisions.

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Executed at San Francisco, California this 30th day of June 2003.

E. Garth Black
Mark P. Schreiber
Sean P. Beatty
Dana L. Rice
COOPER, WHITE & COOPER LLP
201 California Street
Seventeenth Floor
San Francisco, CA 94111
Telephone: (415) 433-1900
Telecopier: (415) 433-5530

By: 
Sean P. Beatty

Attorneys for the Small LECs

SF:472934.1

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CERTIFICATE OF SERVICE BY MAIL

I, Janet 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 30, 2003, I served the foregoing **REPLY COMMENTS OF**


**CALAVERAS TELEPHONE COMPANY
CAL-ORE TELEPHONE CO.
DUCOR TELEPHONE COMPANY
EVANS TELEPHONE COMPANY
FORESTHILL TELEPHONE CO.
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WINTERHAVEN TELEPHONE COMPANY**

PURSUANT TO ORDER INSTITUTING RULEMAKING

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. An Adobe Acrobat PDF version of this document was also served via e-mail on those parties on this service list who provided an e-mail address.

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

Executed on June 30, 2003, at San Francisco, California.



Janet Doherty

**Service List
R. 03-04-003
(CPUC 6/20/03)**

MARIANNE ROACH CASSERLY
ALSTON & BIRD LLP
601 PENNSYLVANIA AVE., NW
NORTH BLDG., 10/F
WASHINGTON, DC 20004

WILLIAM J. COBB III, ATTORNEY AT LAW
COVAD COMMUNICATIONS COMPANY
100 CONGRESS AVENUE, SUITE 2000
AUSTIN, TX 78701

CAMILLE A. ESTES
BOWEN LAW GROUP
235 MONTGOMERY STREET, SUITE 920
SAN FRANCISCO, CA 94102

ITZEL BERRIO, ATTORNEY AT LAW
THE GREENLINING INSTITUTE
785 MARKET STREET, 3RD FLOOR
SAN FRANCISCO, CA 94103-2003

STEPHEN P. BOWEN, ATTORNEY AT LAW
BOWEN LAW GROUP
235 MONTGOMERY STREET, SUITE 920
SAN FRANCISCO, CA 94104

WILLIAM C. HARRELSON
ATTORNEY AT LAW
MCIMETRO ACCESS TRANSMISSION
SERVICES, LLC
201 SPEAR STREET
SAN FRANCISCO, CA 94105

JOHN GUTIERREZ
DIRECTOR, GOVERNMENT AFFAIRS
COMCAST PHONE OF CALIFORNIA, LLC
12647 ALCOSTA BLVD., SUITE 200
SAN RAMON, CA 94583

GLENN SEMOW
CALIFORNIA CABLE & TELECOMM. ASSOC.
4341 PIEDMONT AVENUE
OAKLAND, CA 94611

CHARLES E. BORN, MANAGER
STATE GOVERNMENT AFFAIRS
FRONTIER, A CITIZENS
TELECOMMUNICATIONS COMPANY
PO BOX 340
ELK GROVE, CA 95759

RICHARD B. LEE
SNAVELY KING & MAJORS
O'CONNOR & LEE, INC.
1220 L STREET, N.W.
SUITE 410
WASHINGTON, D.C. 20005

EUGENE M. ENG
VERIZON CALIFORNIA, INC.
CA501LS
112 LAKEVIEW CANYON ROAD
THOUSAND OAKS, CA 91362

JESUS G. ROMAN
VERIZON
711 VAN NESS AVENUE, SUITE 300
SAN FRANCISCO, CA 94102

SUSAN E. BROWN
ATTORNEY AT LAW
LATINO ISSUES FORUM
785 MARKET STREET, 3RD FLOOR
SAN FRANCISCO, CA 94103-2003

GARRETT L. WONG, ATTORNEY AT LAW
SBC PACIFIC BELL TELEPHONE COMPANY
140 NEW MONTGOMERY ST., ROOM 1619
SAN FRANCISCO, CA 94105

KATY M. LINDSAY
AT&T
795 FOLSOM STREET, SUITE 2155
SAN FRANCISCO, CA 94107-1243

WILLIAM H. BOOTH
ATTORNEY AT LAW
LAW OFFICES OF WILLIAM H. BOOTH
1500 NEWELL AVENUE, 5TH FLOOR
WALNUT CREEK, CA 94596

LESLA LEHTONEN
ATTORNEY AT LAW
CALIFORNIA CABLE & TELECOMM. ASSOC.
4341 PIEDMONT AVENUE
OAKLAND, CA 94611

STEPHEN GOODMAN
PREPAID TEL.COM INC.
409 CENTER STREET
YUBA CITY, CA 95991

TERRANCE SPANN
REGULATORY LAW OFFICE
US ARMY LEGAL SERVICES AGENCY
DEPT. OF THE ARMY
JALS-RL 901 N. STUART STREET, SUITE 700
ARLINGTON, VA 22203-1837

LEE BURDICK, ATTORNEY AT LAW
FERRIS & BRITTON
401 WEST A STREET, SUITE 1600
SAN DIEGO, CA 92101

WILLIAM R. NUSBAUM, ATTORNEY AT LAW
THE UTILITY REFORM NETWORK
711 VAN NESS AVENUE, ROOM 350
SAN FRANCISCO, CA 94102

RANDOLPH W. DEUTSCH
SIDLEY AUSTIN BROWN & WOOD LLP
555 CALIFORNIA STREET, SUITE 5000
SAN FRANCISCO, CA 94104

ROBERT MUNOZ
MCI WORLDCOM, INC.
201 SPEAR STREET 9TH FLOOR
SAN FRANCISCO, CA 94105

J. KENDRICK KRESSE
CALIFORNIA CENTER FOR LAW
AND THE DEAF
14895 EAST 14TH STREET, SUITE 220
SAN LEANDRO, CA 94578

LATANYA LINZIE
COX CALIFORNIA TELCOM, L.L.C.
2200 POWELL STREET, SUITE 1035
EMERYVILLE, CA 94608

SHELLEY BERGUM
DEAF & DISABLED
TELECOMMUNICATIONS PROGRAM
505 14TH STREET, SUITE 400
OAKLAND, CA 94612-3532

PENNY H. BEWICK
NEW EDGE NETWORKS, INC.
3000 COLUMBIA HOUSE BLVD., 106
VANCOUVER, WA 98661

FREDERICK M. JOYCE
ALSTON & BIRD LLP
601 PENNSYLVANIA AVENUE N.W.
NORTH BLDG., 10/F
WASHINGTON, DC 20004

JOHN M. FELZ
SPRINT
KSOPHN0204-2B603
6450 SPRINT PARKWAY
OVERLAND PARK, KS 66251-6100

SCOTT FREIERMUTH
SPRINT PCS
KSOPHN0212-2A409
6450 SPRINT PARKWAY
OVERLAND PARK, KS 66251-6100

RICHARD CHABRAN
CALIFORNIA COMMUNITY
TECHNOLOGY POLICY
606 SOUTH OLIVE STREET, SUITE 2400
LOS ANGELES, CA 90014

JAMES LAU
TECHNOLOGY PROGRAM MANAGER
THE CHILDREN'S PARTNERSHIP
1351 THIRD ST. PROMENADE, STE 206
SANTA MONICA, CA 90401-1321

ESTHER NORTHRUP
ATTORNEY AT LAW
XO CALIFORNIA, INC.
5771 COPELY DRIVE
SAN DIEGO, CA 92111

KAREN M. POTKUL, VICE PRESIDENT
LEGAL & REGULATORY AFFAIRS
XO CALIFORNIA INC.
1924 DEERE AVENUE
SANTA ANA, CA 92705

LINDA J.K. ROLLER
REGULATORY MANAGER
THE PONDEROSA TELEPHONE CO.
PO BOX 21
O'NEALS, CA 93645

EDWIN D. JONES, PRESIDENT
TESCO
1263 ALICANTE DR.
PACIFICA, CA 94044-4306

ENRIQUE GALLARDO
SENIOR PROGRAM MANAGER
LATINO ISSUES FORUM
785 MARKET STREET, 3RD FLOOR
SAN FRANCISCO, CA 94103-2003

COMMUNITY TECHNOLOGY
FOUNDATION OF CALIFORNIA
101 SPEAR STREET, SUITE 218
SAN FRANCISCO, CA 94105

JAMIE MALONE
SBC PACIFIC BELL TELEPHONE COMPANY
140 NEW MONTGOMERY, ROOM 708
SAN FRANCISCO, CA 94105

JULIAN C.L. CHANG
AT&T COMMUNICATIONS OF
CALIFORNIA, INC.
795 FOLSOM STREET, ROOM 2164
SAN FRANCISCO, CA 94107

MARGARET L. TOBIAS
SIMPSON PARTNERS LLP
460 PENNSYLVANIA AVENUE
SAN FRANCISCO, CA 94107

DAVID A. SIMPSON
ATTORNEY AT LAW
SIMPSON PARTNERS LLP
900 FRONT STREET
SAN FRANCISCO, CA 94111

DAVID MARCHANT
ATTORNEY AT LAW
DAVIS WRIGHT TREMAINE LLP
ONE EMBARCADERO CENTER, STE 600
SAN FRANCISCO, CA 94111-3834

STEVE KUKTA
SPRINT COMMUNICATIONS COMPANY L.P.
1850 GATEWAY DRIVE, 7TH FLOOR
SAN MATEO, CA 94404-2467

THERESA CABRAL, ATTORNEY AT LAW
MORRISON & FOERSTER, LLP
101 YGNACIO VALLEY ROAD, SUITE 450
WALNUT CREEK, CA 94596

PHIL CEGUERA
COVAD COMMUNICATIONS COMPANY
3420 CENTRAL EXPRESSWAY
SANTA CLARA, CA 95051

NANCY GRIFFIN
REGULATORY COMPLIANCE
PAC-WEST TELECOMM. INC.
1776 W. MARCH LANE, SUITE 250
STOCKTON, CA 95207

MARIA E. STEVENS
CALIF PUBLIC UTILITIES COMMISSION
EXECUTIVE DIVISION
320 WEST 4TH STREET SUITE 500
LOS ANGELES, CA 90013

PETER Y. CHANG
CALIF PUBLIC UTILITIES COMMISSION
MARKET STRUCTURE BRANCH
320 WEST 4TH STREET, SUITE 500
LOS ANGELES, CA 90013

CYNTHIA WALKER
CALIF PUBLIC UTILITIES COMMISSION
MARKET STRUCTURE BRANCH
505 VAN NESS AVENUE, ROOM 4102
SAN FRANCISCO, CA 94102-3214

KIM MALCOLM
CALIF PUBLIC UTILITIES COMMISSION
DIVISION OF ADMINISTRATIVE LAW JUDGES
505 VAN NESS AVENUE, ROOM 5005
SAN FRANCISCO, CA 94102-3214

NATALIE WALES
CALIF PUBLIC UTILITIES COMMISSION
LEGAL DIVISION
505 VAN NESS AVENUE, ROOM 4107
SAN FRANCISCO, CA 94102-3214

PAUL S. PHILLIPS
CALIF PUBLIC UTILITIES COMMISSION
TELECOMMUNICATIONS BRANCH
505 VAN NESS AVENUE, ROOM 4101
SAN FRANCISCO, CA 94102-3214

ROBERT LEHMAN
CALIF PUBLIC UTILITIES COMMISSION
CONSUMER ISSUES BRANCH
505 VAN NESS AVENUE, ROOM 4102
SAN FRANCISCO, CA 94102-3214