BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Bell Telephone Company d/b/a AT&T California (U 1001 C) for Targeted Relief from Its Carrier of Last Resort Obligation and Certain Associated Tariff Obligations

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(Filed March 3, 2023)

APPLICATION OF PACIFIC BELL TELEPHONE COMPANY D/B/A AT&T CALIFORNIA (U 1001 C) FOR TARGETED RELIEF FROM ITS CARRIER OF LAST RESORT OBLIGATION AND CERTAIN ASSOCIATED TARIFF OBLIGATIONS

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Pursuant to Article 2 of the California Public Utilities Commission’s Rules of Practice and Procedure, Pacific Bell Telephone Company d/b/a AT&T California (U 1001 C)\(^1\) submits this Application for targeted relief from its Carrier of Last Resort (“COLR”) obligation and certain associated tariff obligations.

I. EXECUTIVE SUMMARY

California consumers enjoy one of the most innovative and competitive communications marketplaces in the country. Implementing California’s policies, the Commission has facilitated robust competitive entry and strengthened investment incentives for the deployment of advanced communications services. AT&T and others have been investing enormous sums in California to deploy high-capacity, state-of-the-art broadband technologies—both wired and wireless. These changes are a boon for consumers, for the environment, and for the California economy.

To accelerate this transformation, AT&T California seeks tailored relief from its outdated COLR obligation, which effectively mandates AT&T California to maintain a copper-based network throughout its service territory. In effect, this obligation requires AT&T California, but not its major competitors, to wastefully operate and maintain two duplicative networks: one, an antiquated, narrowband network with an ever-dwindling base of subscribers, and the other, a forward-looking, fiber and wireless broadband network.\(^2\) The modest regulatory reforms sought in this Application would boost investment in next-generation broadband services and networks.


\(^2\) As used herein, AT&T’s “broadband network” includes both fiber and wireless segments.
reduce waste, and ensure regulatory parity. At the same time, AT&T’s proposed relief would protect the needs of current basic service customers without alternatives for voice service and would allow others with existing options plenty of time to choose among them.

Prompt action on this Application is important because broadband deployment is at a critical inflection point. The federal Broadband Equity, Access, and Deployment (“BEAD”) Program, which promises to expand and hasten broadband deployment in unserved and underserved areas, is entering its decisive phase. That program will succeed in California only if the Commission promotes regulatory conditions conducive to further investment and innovation in broadband technologies. To that end, the COLR relief proposed here would enable AT&T California to redeploy resources from yesterday’s voice-centric technologies and hasten its ability to roll out broadband to more Californians.

Significantly, AT&T California is not seeking total COLR relief at this time: for the few customers who currently lack an alternative to AT&T California’s basic voice service, AT&T California would continue offering voice service on the same terms as before until an alternative becomes available. This proposal thus presents the best of all worlds: it would reduce economic and environmental waste and propel greater investment and innovation while protecting the relatively few customers whose only current option for voice service is a legacy telephone line.

A. For most of the 20th century, consumers had only one technological option for voice service: a twisted pair of copper wires connecting their homes to the local phone company’s circuit-switching equipment. Through the 1980s, such “plain old telephone service” (“POTS”) was regarded as a natural monopoly, and voice competition from wireless, cable, and other competitive service providers had not yet emerged. Each local telephone company thus
entered into a compact with regulators to serve everyone within its service area in exchange for
guaranteed returns on investment.

The COLR obligation made sense in the monopolistic environment of 40 years ago, but it
makes no sense given today’s robust competition from a wide variety of providers that have now
deployed broadband networks. Like Blockbuster rentals and Kodak film, POTS has fallen from
technological primacy to effective obsolescence in the course of a generation. As Dr. Mark Israel
of Compass Lexecon explains in his attached declaration, the overwhelming majority of
Californians today rely on broadband connections for voice calls; only a small minority still
subscribe to copper-line telephone service. Indeed, the number of POTS lines provided by
AT&T California plummeted by 89 percent from 2000 to 2021.3 And even most remaining
landline customers rely primarily on their mobile phones.4

Moreover, almost everyone in AT&T California’s service territory can choose among
several comparably or lower-priced wireline and wireless alternatives to POTS for voice service.
These alternatives include such household names as Comcast/Xfinity, Charter/Spectrum, Cox,
T-Mobile, and Verizon Wireless as well as AT&T Fiber and AT&T Mobility.5 In fact, fully 99.9
percent of the population in AT&T California’s service territory has access to at least two
facilities-based alternatives to POTS, and 99.7 percent has access to at least three.6

3 Declaration of Mark A. Israel ¶ 44 (“Israel Decl.”) (attached hereto as Attachment A).
4 According to federal estimates, only 2.7% of California adults are “landline-only” (i.e., POTS or
broadband VoIP), and only 4.4% are “landline-mostly”; the remainder rely equally (8.9%), mostly (19%),
or exclusively (64.2%) on their wireless phones. National Health Interview Survey Early Release
Program, Nat’l Ctr. for Health Stat. (Dec. 2022),
6 Id. ¶ 33.
These trends reflect the new commercial reality: the overwhelming majority of California consumers utilize “voice” not as a standalone service tethered to fixed narrowband copper wires, but rather as part of a broader package of connectivity services offered by a number of home-broadband and mobile wireless companies. Within its wireline footprint, AT&T California is not even the market leader for such services, a complete reversal from the monopoly era. For home broadband/VoIP, AT&T California has far fewer subscribers than the incumbent cable company in most areas.7 And for wireless voice-and-data services, T-Mobile and Verizon Wireless have similar scale and scope to AT&T Mobility.8 Yet the Commission’s COLR obligation persists in treating AT&T California as though it were still a monopolist. Only AT&T California—not Comcast, not Charter, not Cox, not Verizon Wireless, not T-Mobile—remains saddled with an obligation to provide a tariffed, standalone voice service to any requesting customer within its service area, even as demand for such standalone voice service has all but disappeared amid the plethora of alternatives available to consumers.9

That regulatory asymmetry lacks any rational basis. It creates both economic and environmental waste and impedes AT&T California’s ability to compete effectively. Unburdened by legacy obligations, AT&T California’s competitors can focus entirely on developing forward-looking networks and services with state-of-the-art broadband capabilities. In contrast, AT&T California’s status as a regulated POTS provider effectively requires it to maintain two parallel networks: one cutting-edge and the other dating to the origins of the Bell System. And AT&T California alone must continue to fulfill every request to extend an outdated

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7 See id. ¶ 54.
8 Id. ¶ 53.
9 See id. ¶ 39–44.
voice-centric network to anyone, anywhere within its footprint, even in cases where the customer has access to a modern alternative. Maintaining the copper network, with its legacy telephone technology and obsolete equipment, drains resources away from AT&T California’s expansion of its state-of-the-art broadband network. Moreover, the constraints COLR places on AT&T California allows its competitors to reduce their investments too. AT&T California’s COLR obligation thus slows technological and economic progress in the state, to the detriment of California’s consumers, workers, and economy.

The COLR obligation also comes at a significant cost to the environment. AT&T California must consume extra fuel to conduct additional truck rolls to repair obsolete copper lines. It must keep large numbers of aged network components powered and running notwithstanding the massive reduction in time-division multiplexing (“TDM”) traffic.\(^\text{10}\) In contrast, AT&T California’s broadband fiber network is far more energy efficient.

In today’s modern and competitive marketplace, it defies reason to subject AT&T California to these regulatory disadvantages in perpetuity, based on its market position decades ago for a technology that is now obsolete. Every other state in which AT&T operates as an incumbent local exchange carrier recognizes this reality and has thus granted AT&T substantial—frequently, total—COLR relief.\(^\text{11}\) AT&T California requests that this Commission do the same.

\(^{10}\) See id. ¶ 23.

\(^{11}\) See, e.g., Petition for Modification of Rules & Regul. Necessary To Achieve Regul. Parity & Modernization, General Order No. R-31839, 2014 La. PUC LEXIS 52 (Mar. 11, 2014) (granting request to eliminate AT&T Louisiana’s COLR obligation); Application of Nev. Bell Tel. Co. d/b/a AT&T Nev. & AT&T Wholesale for Relief from Designation as a Provider of Last Resort in Portions of Nev. Pursuant to NRS 704.68886, Order, Docket No. 16-03021, 2016 Nev. PUC LEXIS 144 (Sept. 12, 2016) (approving application for relief from designation as a provider of last resort except in limited portions of its service territory). A full list of citations may be found in Attachment B.
B. When the Commission designated AT&T California and other incumbent POTS providers as default COLRs in 1996, it stressed that, as market conditions “move[] from a monopoly provider to multiple providers, the universal service program needs to be readjusted to meet the challenges of increasing competition.” It explained that “[s]tatutory policies and the level of market competition advise against the continuation of monopoly era regulations that limit the ability of carriers to withdraw or grandfather services that are no longer attractive to customers.”

The Commission has thus made clear since the 1990s that, once competition takes root, COLR status is voluntary, and carriers can apply not only to become COLRs, but also to be relieved of their COLR obligation. This Application accordingly seeks to adjust AT&T California’s COLR status to reflect technological advances and the near-ubiquity of voice competition throughout its service territory. The Commission has clear legal authority to take this step: the Legislature has authorized the Commission to “amend any order or decision made

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13 Id. at *369 (Finding of Fact 16); see also 1994 Cal. Stat. ch. 278 § 2(a)(4) (A.B. 3643) (“The Public Utilities Commission shall … [d]evelop a process to periodically review and revise the definition of universal service to reflect new technology and markets.”); 2012 CPUC Decision, 2012 Cal. PUC LEXIS 597, at *74–75 (Finding of Fact 5) (“Although basic service has traditionally been provided by carriers using local exchange wireline network architecture, other forms of telecommunications services offered by wireless, cable, and VoIP have been growing in popularity, particularly over the past decade.”).

14 Ord. Instituting Rulemaking on the Comm’n’s Own Motion To Assess & Revise the Regul. of Telecomms. Util., D.06-08-030, 2006 Cal. PUC LEXIS 367, at *295 (Aug. 24, 2006) (“2006 CPUC Decision”), modified on reh’g on other grounds, D.06-08-030, 2006 Cal. PUC Lexis 511 (Dec. 14, 2006); see also id. (“With the wide availability of communications alternatives from voice competitors, we see no reason to impose regulatory requirements on ILECs that we do not impose on other carriers.”); 1996 CPUC Decision, 1996 Cal. PUC LEXIS 1046, at *455 app. B (Rule 1.J) (defining “[c]ompetitive neutrality” as “[t]he concept that regulation of the telecommunications industry should be structured in such a way that it neither favors nor impedes one telecommunications carrier or group of telecommunications carriers, over any other carrier or group of carriers”).

by it,”¹⁶ and this authority extends to changing its prior COLR designation of AT&T California. Failure to do so would contravene Commission precedent, state and federal legislative commands, as well as the overarching requirements of reasoned decisionmaking and due process.

The relief sought here would more closely tailor AT&T California’s COLR obligation to the differing competitive conditions across its territory. AT&T California’s COLR duties to existing customers would continue where there is no voice alternative to POTS, such as fixed broadband VoIP or mobile wireless. For those few customers, who are generally located in remote rural areas, AT&T California would continue to provide POTS subject to its existing tariff¹⁷ until such time that a voice alternative becomes available, whether provided by AT&T or another service provider. In contrast, in areas where consumers do have a voice alternative to POTS, the relief sought here would free AT&T California from continued state-law obligations to provide a tariffed voice service. It would thus place AT&T California in the same regulatory position as its competitors, all of which operate on a non-tariffed basis.

Nonetheless, to avoid the possibility of disruption, even in areas where there is an alternative to POTS, AT&T California would continue serving existing POTS customers pursuant to its current tariff for at least six months following grant of this Application. Moreover, AT&T California must continue to offer POTS until it completes the Section 214 discontinuance

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¹⁶ Cal. Pub. Util. Code § 1708 (“The commission may at any time, upon notice to the parties, and with opportunity to be heard as provided in the case of complaints, rescind, alter, or amend any order or decision made by it. Any order rescinding, altering, or amending a prior order or decision shall, when served upon the parties, have the same effect as an original order or decision.”); see also id. § 701 (“The commission may supervise and regulate every public utility in the State and may do all things, whether specifically designated in this part or in addition thereto, which are necessary and convenient in the exercise of such power and jurisdiction.”).

¹⁷ While AT&T California serves business customers pursuant to its Guidebook instead of a tariff, “tariff” is used herein for ease of reference to refer to both the actual tariff and the Guidebook.
process administered by the Federal Communications Commission (“FCC”) for any given part of its service territory.\(^{18}\)

Even areas without a voice alternative to POTS today are poised to become competitive, particularly as federal and state funding programs extend broadband networks into previously unserved and underserved areas of California. AT&T thus further proposes that the Commission approve a streamlined process for COLR relief in those areas once a voice alternative becomes available. Namely, AT&T California proposes to file an advice letter with the Commission demonstrating that the area in question has a voice alternative to POTS, and a timetable for phased COLR relief would begin in that area from the date of approval of the advice letter.\(^{19}\)

C. The Commission should act promptly on this Application because COLR relief would deliver vital benefits to California, including reallocation of AT&T’s resources to broadband deployment around the state. These benefits are especially urgent for promoting digital equity for the state’s low-income, tribal, and rural communities.

*Low-income communities.* As Governor Newsom has stated, “broadband access, adoption, and training are essential components of digital equity for California’s diverse populations.”\(^{20}\) That is particularly true of Californians in low-income areas who need high-speed broadband for remote learning, remote work, and economic advancement.

\(^{18}\) As used herein, “Section 214 discontinuance process” encompasses both the FCC grant of a Section 214 discontinuance application as well as circumstances when service obligations lapse by rule. *See* 47 C.F.R. § 63.71(g).

\(^{19}\) Here, too, AT&T California would need to complete the FCC’s Section 214 discontinuance process for the area before terminating POTS service there.

AT&T California is working diligently to boost fiber availability and adoption in those low-income neighborhoods. Among its other current initiatives in low-income communities, AT&T offers customers who are eligible to participate in the Affordable Connectivity Program (“ACP”) up to 100/100 Mbps symmetrical broadband service (where available), with no data caps, for a nominal fee of $30 per month. Because ACP matches that amount, this AT&T initiative enables eligible customers to receive high-speed broadband for free.\(^{21}\) To date, more than 1.8 million California households have taken advantage of this unprecedented opportunity.\(^{22}\)

It is nonetheless estimated that, at the height of pandemic school closures, 1.3 million K-12 students in California lacked home internet service.\(^{23}\) In one response to this crisis, AT&T has opened five Connected Learning Centers (“CLCs”) in California, giving underserved students and their families free access to the internet, computers, and educational resources.\(^{24}\) As leaders of the host organizations explain, each CLC “is a critical link to connectivity” for the families it serves,\(^{25}\) “set[ting] them up for success in the future.”\(^{26}\) AT&T also works with local

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\(^{26}\) AT&T Connected Learning Center Opens at CRCD, Coal. for Responsible Cmty. Dev. (May 20, 2022), [https://coalitionrcd.org/2022/05/20/att-connected-learning-center-opens-at-crcd/](https://coalitionrcd.org/2022/05/20/att-connected-learning-center-opens-at-crcd/) (quoting Mark Wilson, President and CEO, CRCD).
governments across the state to expand the availability of fiber broadband to low-income households. For example, AT&T recently announced a collaborative effort with the Los Angeles Unified School District (“LAUSD”)—80% of whose students live at or below the poverty level—to provide high-speed broadband to students’ homes at no cost to their families.27 As LAUSD Superintendent Alberto Carvalho explained, without “reliable internet access, around the clock, on- and off-campus … our students don’t have what they need to learn.”28 The COLR relief sought here would free up critical resources for similar efforts around the state.

_Tribal communities._ As the Commission recognizes, access to state-of-the-art broadband is indispensable to economic opportunity and civic engagement in tribal communities.29 To that end, COLR relief also would allow AT&T California to expand its collaborations with tribal governments to ensure high-speed connectivity on tribal lands. There would be more examples such as AT&T’s partnership with the Rincon Band of Luiseño Indians. That partnership seeks to bring fiber broadband to more than 400 homes on Rincon lands,30 which Rincon Band Chairman Bo Mazzetti calls “a major service for everyone.”31 And, on February 23, AT&T opened a new CLC on the Rincon reservation, which Chairman Mazzetti hailed as “an absolute dream come true for our seniors, youth and the many tribal members who for many years did not have access

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28 _Id._ (quoting Superintendent Alberto Carvalho).


to technology."\(^{32}\) This new facility serves not only the Rincon Band itself, but four neighboring tribes as well: the Pala and San Pasqual Bands of Mission Indians and the La Jolla and Pauma Bands of Luiseño Indians.\(^{33}\) Through the relief sought here, even more tribal communities across the state would enjoy remote learning for students and adults, access to telemedicine to improve health outcomes and address healthcare disparities, the ability to build and grow a business online, the chance to learn new skills and apply for jobs, and even enjoy the simple pleasure of streaming entertainment.

*Rural communities.* Like this Commission, AT&T California is committed to closing the broadband availability gap between urban and rural areas, and here, too, COLR relief is an important part of the solution. With freed-up resources, AT&T California could deploy fiber broadband to additional households in rural areas across the state, as it already has in Amador, El Dorado, Kings, Madera, and Mariposa Counties, among other locales.

AT&T California has further demonstrated its commitment to rural broadband by working tirelessly to restore and—in the process—improve connectivity in the disproportionately rural areas ravaged by recent wildfires. As fiber technology has evolved, AT&T has continually integrated fiber upgrades into its disaster restoration efforts. And when AT&T confronts total destruction of its network, it generally opts, to the extent feasible, to rebuild with fiber rather than copper. For example, since 2017, AT&T has undertaken extensive fiber-rebuild projects in the areas damaged by the Atlas, Calour, Camp, Carr, Fawn, Mill, Thomas, Tubbs, and Woolsey Fires, thereby extending advanced broadband services for the first time to thousands of

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\(^{32}\) *Rincon CLC Release* (quoting Chairman Bo Mazzetti).

\(^{33}\) *Cf. id.* (noting service to “students on the Tribal Nations in the Valley Center region”). AT&T is also a proud corporate sponsor of important tribal initiatives across California, including—to take just one example—Walking Shields, a nonprofit that promotes digital literacy and ACP enrollment.
households in these less-populous areas. The COLR relief sought here would facilitate similar fiber upgrades as AT&T works with rural communities to restore connectivity in the wake of future natural disasters.

* * *

The remainder of this Application is organized as follows. Section II discusses the monopoly-era roots of COLR obligations in California, the Commission’s recognition of the need to adapt those obligations to the rise of competition, and the Commission’s legal obligation to allow AT&T California to relinquish its COLR obligation in these circumstances. Section III, which summarizes Dr. Israel’s attached declaration, explains why COLR rules are unnecessary to protect the overwhelming majority of California consumers, given their access to many competitive alternatives and their large-scale abandonment of POTS service. Section IV explains why COLR obligations are affirmatively counterproductive and why eliminating them in most areas would benefit consumers, workers, and the environment. Section V sets forth AT&T California’s proposed relief and explains how granting that targeted relief would not disrupt remaining POTS customers. Finally, Section VI addresses certain procedural matters.

II. THE COMMISSION DESIGNED ITS COLR RULES TO BE COMPETITIVELY NEUTRAL AND PROVIDED AT&T CALIFORNIA WITH A CLEAR PATHWAY FOR RELIEF.

In California, all incumbent local exchange carriers (“ILECs”) were initially classified as COLRs approximately 30 years ago.\(^3^4\) However, those initial designations were not intended to be permanent. Rather, the Commission’s decisions make clear that ILECs can apply and obtain permission to exit the COLR regime. Although these decisions do not clearly state the specific

criteria that should now apply for assessing COLR relief applications, the history and purpose of COLR obligations make clear that the Commission should approve such applications where, as here, virtually every customer in the ILEC’s service territory can choose another facilities-based voice service provider.

A. The Monopoly-Era Roots of COLR Regulation

Throughout most of the 20th century, consumers had one choice for voice service—the ILEC—and local telephone service was regulated as a natural monopoly. Under a longstanding regulatory compact, the Commission agreed to rate structures sufficient for each ILEC, including AT&T California, to earn a reasonable overall return on investment in exchange for agreeing to serve all customers within its geographic footprint.36

As part of that regulatory compact, the Commission authorized above-cost rates for certain customers (e.g., those in high-density urban areas) and for certain services (e.g., business lines and exchange access) to support radically below-cost basic service rates for customers in rural and other high-cost areas.37 In the absence of competition, this system of implicit cross-subsidies generally assured each ILEC a reasonable return on its network investments.38

This universal service regime broke down as competition surged (as policymakers intended) in the wake of the federal Telecommunications Act of 1996, first from other providers

35 See supra notes 12–15 and accompanying text (discussing Commission COLR decisions).
36 See Israel Decl. ¶ 16.
37 1996 CPUC Decision, 1996 Cal. PUC LEXIS 1046, at *24 (“Prior to the opening of the local exchange and toll markets to competition, the incumbent LECs were able to offset the increased cost or doing business in high cost areas by several mechanisms. They were able to have averaged rates throughout their service territory, which enabled the LECs to set a rate which reflected an average of the higher cost exchanges with the more profitable exchanges. The LECs were also able to price certain services above costs so as to subsidize basic local exchange service, which was generally priced below cost.”).
38 Israel Decl. ¶ 16.
of landline telephone services and then from rapidly escalating entry of intermodal cable and wireless providers. New entrants focused on the most-profitable customers who had once subsidized the ILECs’ costs of serving unprofitable customers. As a result, ILECs were increasingly left serving the higher-cost customers, but without the implicit cross-subsidies needed to keep those customers’ rates below cost.\(^\text{39}\)

The Commission adopted California’s current COLR regime as part of a more general universal service overhaul in the 1990s, when competition for local telecommunications services was only beginning to emerge. The Commission recognized that it needed to replace its legacy internal cross-subsidy system with an external direct-support mechanism, among other revisions.\(^\text{40}\) The Commission thus created the California High Cost Fund-B (“CHCF-B Fund”), which is funded by fees assessed on the end-user customers of all telecommunications providers, to provide direct support to any provider serving a high-cost customer.\(^\text{41}\) To qualify for this support, a carrier must be a COLR, which requires it to offer tariffed, basic voice telephone service to any requesting customer in the carrier’s service area.\(^\text{42}\)

**B. The Opt-In/Opt-Out Nature of California COLR Obligations**

In 1996, to ensure that a COLR was available to all Californians during this transition to local competition and to the new direct-support mechanism, the Commission initially assigned each ILEC as the COLR for its service areas, while inviting other providers to opt into the COLR

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\(^\text{39}\) *1996 CPUC Decision*, 1996 Cal. PUC LEXIS 1046, at *24 (“With the introduction of competition, multiple carriers will be competing for the same customers. The implicit subsidies of averaged rates, and services priced above cost to support services priced below cost, will no longer be sustainable in a competitive market.”); Israel Decl. ¶ 17.

\(^\text{40}\) *1996 CPUC Decision*, 1996 Cal. PUC LEXIS 1046, at *2 (“As we enter this competitive environment, yesterday’s policies supporting universal service will no longer be sustainable.”).

\(^\text{41}\) See id. at *3–4.

\(^\text{42}\) Id. at *293, *300–09.
regime as well. The Commission expected that these initial COLR classifications would be temporary: “As the marketplace for local telephone exchange service moves from a monopoly provider to multiple providers, the universal service program needs to be readjusted to meet the challenges of increasing competition.” The Commission further emphasized that COLR obligations should be “competitively neutral[],” and “regulation of the telecommunications industry should be structured in such a way that it neither favors nor impedes one telecommunications carrier or group of telecommunications carriers, over any other carrier or group of carriers,” including incumbents.

The Commission thus adopted rules—which are still in effect—that expressly allow an ILEC to withdraw from its initial COLR classification: either by advice letter if there is another COLR already serving the same area or by application if there is not. In the latter case, the rules provide for a reverse auction in which competitive carriers bid to offer basic service at the prescribed retail rate and the lowest support level. Theoretically, the guaranteed support level in such auctions would keep increasing until at least one carrier opts into COLR status, at which point the requesting ILEC would withdraw as COLR while the auction winner takes its place.

The Commission, however, never adopted any rules for such reverse auctions, mainly because competitors chose to deploy and expand their networks in California without seeking

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43 Id. at *468–69 (Rule 6.D.1).
44 See id. at *369 (Finding of Fact 16).
45 Id. at *455 (Rule 1.J).
47 See id. at *471–72 (Rule 6.E).
COLR status, likely concluding that the money available from the CHCF-B Fund did not offset the substantial burdens and associated costs of a COLR obligation.

It is not surprising that competitors find the costs of a COLR obligation to outweigh the benefits. The available CHCF-B support for residential basic service in California has dropped precipitously since 1996, when it totaled $352 million per year for all carriers (or $668 million adjusted for inflation). For 2020–21, the Commission budgeted only $22 million dollars (about three percent of the original amount, adjusting for inflation) to support about 66,000 voice lines, choosing to devote the bulk of funding to broadband deployment instead. Within AT&T California’s ILEC service wireline footprint, it remains the only COLR subject to the attendant burdensome tariffing and basic service obligations—even though, in nearly every area within that footprint, multiple other providers stand ready and willing to provide competitive voice service to requesting customers.

C. The Commission Has Clear Legal Authority To Grant COLR Relief and Legally Must Do So.

The Commission’s COLR rules provide a pathway to relieve AT&T California from its legacy COLR obligation. Those rules provide that “[a] designated COLR may opt out of its

48 In 2012, the Commission revisited its COLR rules in light of accelerating competition and deployment of mobile and broadband technologies. 2012 CPUC Decision, 2012 Cal. PUC LEXIS 597, at *1–2, *6–8. The Commission acknowledged that it had not yet implemented the auction process and that some parties had questioned whether a reverse auction would be successful, given the radical declines in voice support levels. Id. at *11–13 & n.10. But the Commission did not amend its prior COLR rules providing that any solitary COLR for a given area, including any ILEC, could obtain COLR relief by invoking the auction process.

49 1996 CPUC Decision, 1996 Cal. PUC LEXIS 1046, at *483 app. D.

obligations in a GSA by advice letter, unless it is the only carrier remaining in the GSA, in which case it must file an application to withdraw as the COLR, and continue to act as the COLR until the application is granted or a new COLR has been designated as a result of an auction.”

Because, as shown below, AT&T California’s COLR obligation has outlived its purpose and become counterproductive, AT&T California must be permitted to exercise this opt-out. The Commission has broad authority to grant relief from regulatory obligations that no longer serve their intended purpose and whose costs now outweigh any benefits. In cases like this one, the Legislature has directed the Commission to adapt its policies as relevant circumstances change: “The [C]ommission shall take steps to ensure that competition in telecommunications markets is fair and that the state’s universal service policy is observed.” The Legislature has also directed the Commission to “remove the barriers to open and competitive markets and promote fair product and price competition in a way that encourages greater efficiency, lower prices, and more consumer choice.”

Federal law imposes similar requirements on the Commission. Section 254 of the Communications Act allows the Commission to adopt rules to advance universal service, but

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52 Cal. Pub. Util. Code § 1708 (“The commission may at any time, upon notice to the parties, and with opportunity to be heard as provided in the case of complaints, rescind, alter, or amend any order or decision made by it.”); see also id. § 701.

53 See id. § 709.5 (emphasis added). The Legislature has also directed that “[t]he Public Utilities Commission shall … [d]evelop a process to periodically review and revise the definition of universal service to reflect new technology and markets.” 1994 Cal. Stat. ch. 278 § 2(a)(4) (A.B. 3643).

54 Cal. Pub. Util. Code § 709(g) (emphasis added); see also id. § 709(c).

those rules must be “equitable and nondiscriminatory.”56 In implementing Section 254, the FCC emphasized that “competitive neutrality” must be a guiding principle for “the preservation and advancement of universal service.”57

As demonstrated below, continuation of AT&T California’s COLR obligation where there is a voice service alternative to POTS is no longer fair, competitively neutral, or nondiscriminatory, nor does that obligation serve any valid public purpose. Accordingly, the Commission has an affirmative statutory obligation to “remove the barriers to open and competitive markets” and “promote fair … competition” by granting relief.58

Basic principles of California administrative law also require the Commission to relieve AT&T California of its now-obsolete COLR obligation.59 In reviewing this Application, the Commission must consider “all relevant factors” and ensure there is “a rational connection between those factors, the choice made, and the purpose of the enabling statute.”60 Constitutional due process likewise requires regulation to “have a reasonable relation to [the] legislative

56 Id. § 254(b)(4), (f).

57 Fed.-State Joint Bd. on Univ. Serv., Report and Order, 12 FCC Recd. 8776, 8801 ¶ 46 (1997) (relying on 47 U.S.C. § 254(b)(7)). It thus held that “universal service support mechanisms and rules [must] neither unfairly advantage nor disadvantage one provider over another.” Id. at 8801 ¶ 47.

58 See Cal. Gov’t Code § 11342.2 (“Whenever by the express or implied terms of any statute a state agency has authority to adopt regulations to implement, interpret, make specific or otherwise carry out the provisions of the statute, no regulation adopted is valid or effective unless consistent and not in conflict with the statute and reasonably necessary to effectuate the purpose of the statute.”); see also Ass’n of Irritated Residents v. San Joaquin Valley Unified Air Pollution Control Dist., 168 Cal.App.4th 535, 557 (2008) (reversing agency for failure to account for statutory factor).


60 Cal. Hotel & Motel Ass’n v. Indus. Welfare Comm’n, 25 Cal.3d 200, 212 (1979); see also Ass’n of Irritated Residents, 168 Cal. App. 4th at 545 (“We decline to construe a statute in a way that makes meaningless the words chosen by the Legislature. … The statute requires that the rule be assessed in light of the identified problem and that the actual words of the statute be given their plain and commonsense meaning.”).
purpose.”61 These principles apply with particular force in this context, where the Commission has recognized it must adjust COLR obligations to competitive realities: “As the marketplace for local telephone exchange service moves from a monopoly provider to multiple providers, the universal service program needs to be readjusted to meet the challenges of increasing competition.”62

The requirement that California agencies engage in reasoned decisionmaking also means that the Commission cannot maintain rules that have become patently discriminatory. “A fundamental norm of administrative procedure requires an agency to treat like cases alike.”63 The Commission accordingly has emphasized that COLR obligations must be “competitively neutral[]” and that “regulation of the telecommunications industry should be structured in such a way that it neither favors nor impedes one telecommunications carrier or group of telecommunications carriers, over any other carrier or group of carriers,” including incumbents.64

61 W. Coast Hotel Co. v. Parrish, 300 U.S. 379, 398 (1937); see Thorpe v. Hous. Auth. of City of Durham, 393 U.S. 268, 281–82 (1969) (holding that due process requires a regulation to be “reasonably related to the purposes of the enabling legislation under which it was promulgated”).


63 Westar Energy, Inc. v. FERC, 473 F.3d 1239, 1241 (D.C. Cir. 2007); see Chaplin v. State Pers. Bd., 54 Cal. App. 5th 1104, 1114 (Ct. App. 2020) (stating that agency reliance on previous “decisions should be encouraged because it contributes to principled decisionmaking and to consistency and predictability of results” (internal quotation marks omitted)); Port of Seattle v. FERC, 499 F.3d 1016, 1034 (9th Cir. 2007) (reasoning that agency’s “conflicting interpretation of a similar complaint in a similar refund proceeding renders its subsequent interpretation unworthy of deference”); Colo. Interstate Gas Co. v. FERC, 850 F.2d 769, 774 (D.C. Cir. 1988) (“[D]issimilar treatment of evidently identical cases … seems the quintessence of arbitrariness and caprice.”); Fed. Empls. Metal Trades Council, AFL-CIO v. Fed. Lab. Rels. Auth., 778 F.2d 1429, 1431 (9th Cir. 1985) (“Arbitrary differences in the treatment of similar cases undercut [an] agency’s claim to deference.”).

64 1996 CPUC Decision, 1996 Cal. PUC LEXIS 1046, at *455 (Rule 1.J) (defining “[c]ompetitive neutrality” as “[t]he concept that regulation of the telecommunications industry should be structured in such a way that it neither favors nor impedes one telecommunications carrier or group of telecommunications carriers, over any other carrier or group of carriers”).
The Commission also emphasized that “[s]tatutory policies and the level of market competition advise against the continuation of monopoly era regulations that limit the ability of carriers to withdraw or grandfather services that are no longer attractive to customers.”

Finally, maintaining this discriminatory treatment would raise grave equal-protection concerns. State action that effectively creates a “class of one” and subjects its sole member to regulatory disadvantages may violate the equal protection clause. Likewise, economic legislation (or regulation) drawing distinctions that “do[] not operate so as rationally to further” the statute’s purpose and are “without any rational basis” runs afoul of the equal protection clause. Applying that clause, the Supreme Court has voided legislation that imposed common carrier-type service obligations on one company while imposing no similar obligation on other companies “doing the same business in the same way.”

Here, these principles weigh strongly against compelling AT&T California alone to continue shouldering the costs of the COLR obligation in areas where alternative voice service is

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65 2006 CPUC Decision, 2006 Cal. PUC LEXIS 367, at *295; see also id. (“With the wide availability of communications alternatives from voice competitors, we see no reason to impose regulatory requirements on ILECs that we do not impose on other carriers.”).

66 See Vill. of Willowbrook v. Olech, 528 U.S. 562, 564 (2000); Bank Markazi v. Peterson, 578 U.S. 212, 234 n.27 (2016) (“Laws narrow in scope, including ‘class of one’ legislation, may violate the Equal Protection Clause if arbitrary or inadequately justified.”); Gerhart v. Lake Cnty., Mont., 637 F.3d 1013, 1014–22 (9th Cir. 2011) (allowing class-of-one claim based on selective regulatory action to proceed); Mimics, Inc. v. Vill. of Angel Fire, 394 F.3d 836, 849 (10th Cir. 2005) (similar).


68 Cotting v. Godard, 183 U.S. 79, 109 (1901) (striking down a Kansas statute that imposed common carrier-type regulation on just one stockyard notwithstanding evidence that numerous smaller stockyards offered competitive services; simply being the largest stockyard was an insufficient basis for that discriminatory treatment); see also Nashville, C. & St. L. Ry. v. Walters, 294 U.S. 405, 429 (1935) (“[W]hen particular individuals are singled out to bear the cost of advancing the public convenience, that imposition must bear some reasonable relation to the evils to be eradicated or the advantages to be secured.”).
available. As the next sections explain, even if there once were a defensible basis for singling out AT&T California for COLR regulation, there is no such basis now in light of the “revolution wrought” by the advent of rival cable and mobile providers, which has made legacy voice service obsolete.

In short, precedent, statutes, and principles of reasoned decisionmaking, due process, and equal protection all mandate approval of this Application because, as demonstrated below, AT&T California’s COLR obligation is unnecessary to achieve its purpose, hinders competition, and otherwise harms consumers, California’s economy, and the environment.

III. THE COLR OBLIGATION SERVES NO CONTINUED PURPOSE IN AT&T CALIFORNIA’S SERVICE TERRITORY.

To satisfy its COLR obligation to provide basic telephone service, AT&T California still operates a legacy TDM network composed of copper lines and antiquated circuit switches. That network was considered state-of-the-art in the 1980s, when consumers relied entirely on home telephone lines for their communications needs, but it is fast becoming a historical curiosity. As the FCC notes, “Although the public switched telephone network used to be the only means to connect, there now exist many other voice service options for consumers in the United States.” Indeed, consumers now have access to vastly more powerful fixed and mobile broadband

\[69\] See Israel Decl. ¶ 33–38.

\[70\] Walters, 294 U.S. at 431; see id. at 415 (“A [law] valid when enacted may become invalid by change in the conditions to which it is applied.”); accord Whole Woman’s Health v. Hellerstedt, 136 S. Ct. 2292, 2306 (2016).

services, which support not only high-quality voice connectivity but also a limitless range of data applications.\textsuperscript{72}

In choosing these modern forms of communications over legacy voice service, the overwhelming majority of consumers have thus voted with their wallets, cutting the cord to the landline TDM network and opting instead for the many mobile and fixed broadband services available to them.\textsuperscript{73} Eleven percent of U.S. households subscribed to POTS in 2020, as compared to 96 percent in 2005—an “enormous” 85-percentage-point decline over 15 years.\textsuperscript{74} AT&T California’s POTS penetration is even lower at six and one-half percent in 2022,\textsuperscript{75} and AT&T California lost 89 percent of its POTS lines from 2000 to 2021,\textsuperscript{76} even as California’s population grew by almost 16 percent during that same period.\textsuperscript{77} Nor does the decline in POTS subscribeship show any sign of slowing.\textsuperscript{78}

\textsuperscript{72} See Israel Decl. ¶¶ 39, 45, 47–48, 50–51. These applications include highly popular platforms like Snapchat, iMessage, Instagram, and Zoom that offer diverse methods for communications far beyond the limited capabilities of POTS.

\textsuperscript{73} See generally 2012 CPUC Decision, 2012 Cal. PUC LEXIS 597, at *74–75 (Finding of Fact 5) (“Although basic service has traditionally been provided by carriers using local exchange wireline network architecture, other forms of telecommunications services offered by wireless, cable, and VoIP have been growing in popularity, particularly over the past decade.”).

\textsuperscript{74} Israel Decl. ¶ 42.

\textsuperscript{75} Id.

\textsuperscript{76} Id. ¶ 44.


\textsuperscript{78} See 2022 Commc’ns Marketplace Rep. at 122 ¶ 170 (noting that “[t]he number of fixed retail switched-access lines declined [nationwide from December 2018 to December 2021] at a compound annual rate of 12.3” percent “while interconnected VoIP services continue[d] to increase”).
Regulators and legislators, too, have recognized the inadequacy of POTS. They are increasingly directing public funds—whether for new deployment or support for lower-income consumers—to high-speed broadband.\(^79\)

These POTS-replacing broadband services are nearly ubiquitous across AT&T California’s footprint, as Dr. Israel details in his attached declaration. As a result of the wide deployment of broadband networks, 99.9 percent of the population in AT&T California’s service territory has access to at least two facilities-based voice alternatives to POTS, and 99.7 percent has access to at least three facilities-based voice alternatives to POTS.\(^80\) Dr. Israel found little difference for the percentages of potential and existing POTS customers in census blocks classified as rural or in tribal lands that have at least one facilities-based voice alternative.\(^81\)

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\(^79\) These programs include Lifeline, see *Lifeline & Link Up Reform & Modernization*, Third Report and Order, 31 FCC Rcd. 3962, 3985 ¶ 61 (2016) (explaining “to ensure that future Lifeline offerings are sufficient for consumers to participate in the 21\(^{\text{st}}\) Century economy at affordable rates, and to obtain the most value possible from the Lifeline benefit, we modify the Lifeline rules to support voice services only through a bundle that includes broadband services”); the Affordable Connectivity Program, see 47 C.F.R. § 54.1802(a) (Affordable Connectivity Program supports only broadband internet access service); the California Advanced Services Fund, see, e.g., 2017 Cal. Stat. ch. 851 § 3(b)(1)(A) (A.B. 1665) (goal of California Advanced Services Fund program “is, no later than December 31, 2022, to approve funding for infrastructure projects that will provide broadband access to no less than 98 percent of California households in each consortia region”); the Rural Digital Opportunity Fund, see *Rural Digit. Opportunity Fund*, Report and Order, 35 FCC Rcd. 686, 687 ¶ 2 (2020) (“The Rural Digital Opportunity Fund represents the [FCC’s] single biggest step to close the digital divide by providing up to $20.4 billion to connect millions more rural homes and small businesses to high-speed broadband networks.”); and the BEAD Program, see *Broadband Equity, Access, and Deployment (BEAD) Program*, BroadbandUSA, [https://broadbandusa.ntia.doc.gov/broadband-equity-access-and-deployment-bead-program#---text=The%20Broadband%20Equity%20Access%20and%20the%20Common%20Welth%20%20the](https://broadbandusa.ntia.doc.gov/broadband-equity-access-and-deployment-bead-program#---text=The%20Broadband%20Equity%20Access%20and%20the%20Common%20Welth%20%20the) (last visited Jan. 18, 2023) (providing $42.45 billion to expand high-speed internet access).

\(^80\) Israel Decl. ¶ 33.

\(^81\) Id. ¶ 36.
results also are similar for the quartiles of census blocks with the lowest median incomes or with the lowest proportion of households identifying as non-Hispanic White.\textsuperscript{82}

Available alternatives are a combination of fixed and mobile services.\textsuperscript{83} Cable broadband service from providers such as Comcast, Charter, and Cox is widely available across AT&T California’s service territory. For its part, AT&T California continues to expand the portions of its service territory where it provides fiber-based service, and smaller wireline broadband companies also compete in specific areas.\textsuperscript{84} Fixed wireless internet service increasingly is becoming an option as well; it now reaches more households (84.9 percent) nationwide than cable company broadband.\textsuperscript{85} With respect to mobile wireless, the three national facilities-based carriers—T-Mobile, Verizon Wireless, and AT&T Mobility\textsuperscript{86}—cover almost all of the populated areas in AT&T California’s service territory, and regional carriers such as US Cellular provide additional coverage.

\textsuperscript{82} \textit{Id.}. Dr. Israel relies on the definitions of race and ethnic origin used by the U.S. Census Bureau in its American Community Survey (“ACS”). The ACS definitions are available at U.S. Census Bureau, American Community Survey and Puerto Rico Community Survey: 2021 Subject Definitions (2021), https://www2.census.gov/programs-surveys/acs/tech_docs/subject_definitions/2021_ACSSubjectDefinitions.pdf.

\textsuperscript{83} \textit{Id.} ¶ 33.

\textsuperscript{84} For example, Race Communications specializes in fiber-based communications services to underserved and rural areas of California. \textit{About Us}, Race Comm’ns, https://race.com/about-us/ (last visited Jan. 18, 2023).

\textsuperscript{85} 2022 Comm’ns Marketplace Rep. at 10 fig. II.A.1. For instance, T-Mobile alone covers about 60 percent of the U.S. population with speeds between 25 and 100 Mbps. \textit{Id.} at 16–17 ¶ 27 & fig. II.A.7, 41 fig. II.A.27.

\textsuperscript{86} Because COLR’s purpose is to ensure consumers have a voice service, it is appropriate to consider voice alternatives provided by AT&T itself as well as by third parties. \textit{See} Israel Decl. ¶¶ 30–31. The FCC takes this approach when reviewing applications to discontinue voice service: “[B]oth first and third party services should be eligible as potential adequate replacement services. … The question is whether an adequate replacement exists in the service area, not who provides the service that provides that adequate replacement.” \textit{Tech. Transitions}; et al., Second Report and Order, 31 FCC Rcd. 8283, 8311–12 ¶ 84 (2016).
Dr. Israel’s analysis is conservative in several respects and thus understates the availability of POTS alternatives. First, the Commission’s broadband deployment data on which he relies date from 2020 and do not reflect network expansion since then,\textsuperscript{87} including AT&T’s own construction. Second, Dr. Israel’s analysis also does not account for DISH’s buildout commitments to offer 5G wireless across most of AT&T California’s service territory by 2025, as it emerges as a national facilities-based wireless carrier.\textsuperscript{88} Third, Dr. Israel’s analysis does not include satellite-based broadband, which is available from HughesNet, Viasat, and Starlink across nearly all of AT&T California’s service territory.\textsuperscript{89} Competition will only accelerate with the increased deployment of broadband networks and new satellite-based services, with the unprecedented levels of public and private capital available for reaching unserved and underserved areas.\textsuperscript{90} All this investment has put the high-speed broadband “market … on the cusp of generational change.”\textsuperscript{91} Finally, in counting the number of alternatives to POTS, Dr. Israel does not consider wireline and wireless resellers or over-the-top VoIP providers, as his analysis is limited only to facilities-based competitors.\textsuperscript{92}

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\textsuperscript{87} Israel Decl. ¶ 30 & n.22.

\textsuperscript{88} Id. ¶ 38; see Applications of T-Mobile US, Inc., & Sprint Corp., for Consent To Transfer Control of Licenses & Authorizations, et al., Order, 34 FCC Rcd. 10578, 10830–31 app. H (2019) (setting forth DISH commitments to deploy 5G service to at least 70% of the U.S. population by June 2023 and 5G broadband service to at least 75% of the population in each Partial Economic Area no later than June 2025); DISH Network Corp., Quarterly Report (Form 10-Q) at 28, 30 (estimating capital expenditures for its 5G network deployment to be approximately $10 billion).

\textsuperscript{89} Israel Decl. ¶ 38; see also 2022 Commc’ns Marketplace Rep. at 136 ¶ 200 (explaining that planned launches of next-generation satellites should improve the quality of satellite broadband services).

\textsuperscript{90} See 2022 Commc’ns Marketplace Rep. at 4–5 ¶¶ 4–6.

\textsuperscript{91} Id. at 4 ¶ 4.

\textsuperscript{92} Israel Decl. ¶¶ 37–38.
Fixed and mobile broadband services are not only reasonable alternatives to POTS; they are in fact technologically superior and available at comparable or lower prices—which is why consumers have overwhelmingly dropped POTS in favor of them.

First, as to fixed-broadband-based alternatives to POTS, the managed VoIP services that broadband providers offer over their cable, fiber, and fixed wireless networks are also generally less expensive than POTS. Comcast and Cox, for example, offer standalone VoIP services that cost less than AT&T California’s basic telephone service and include unlimited local and long-distance calling. And fixed VoIP is technologically superior to basic telephone service.

Because of its inherent efficiencies, AT&T California VoIP exceeds POTS in the service quality metrics set forth in the Commission’s General Order 133-D. Fiber-based VoIP is even more reliable than VoIP delivered over copper last-mile connections, providing still greater security in emergencies. Moreover, AT&T California’s VoIP service meets the FCC’s Enhanced 911 (“E911”) requirements, providing the caller’s call-back number and, in most cases, location information to emergency service personnel. This service also complies with FCC requirements

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93 Israel Decl. ¶ 46 & n.51, tbl. 2 (Comcast and Cox offer unbundled VoIP service at $20/month, as opposed to AT&T POTS at $34.50/month).

94 AT&T, Opening Comments on Administrative Law Judge Ruling Requesting Comments on Network Examination and ARMIS Reporting 31 (Mar. 17, 2022) (“Service Quality Opening Comments”), Order Instituting Rulemaking Proceeding to Consider Amendments to General Order 133, R.22-03-016; Declaration of Dr. Debra J. Aron ¶¶ 191–93, attached to Service Quality Opening Comments; see also Kiely Kuligowski, Is a VoIP or Landline System Better for Your Business?, Bus. News Daily (Jan. 23, 2023), https://www.businessnewsdaily.com/15323-voip-vs-landline.html (“Sound is usually clearer with VoIP than with analog phone lines, but this too depends on your internet connection. A slow connection can negatively affect the quality of your call, but a strong connection typically results in clear, consistent sound quality.”).

95 See Israel Decl. ¶ 23 n.5.

for accessibility by people with disabilities, including 711 abbreviated dialing for access to relay services.\textsuperscript{97}

\textit{Second}, as to \textit{mobile wireless} alternatives to POTS, T-Mobile, Verizon Wireless, and AT&T Mobility all offer plans at prices less than or comparable to AT&T California’s basic telephone service.\textsuperscript{98} Resellers offer mobile wireless service that is less costly still,\textsuperscript{99} and several of them offer Lifeline services.\textsuperscript{100} Indeed, the overwhelming majority of California Lifeline subscribers choose mobile over POTS.\textsuperscript{101}

Mobile wireless services also come with several technological advantages over POTS that increase their value to consumers. Most obviously, they are \textit{mobile}: a customer can make and receive calls outside the home, which is the main reason why the overwhelming majority of


\textsuperscript{98} Israel Decl. ¶ 47 & tbl. 3 (AT&T California POTS costs $34.50/month; T-Mobile service starts at $10/month, Verizon Wireless at $35/month, and AT&T Mobility at $25/month).

\textsuperscript{99} \textit{Ibid.} ¶¶ 47–48. When quantifying alternative voice options, Dr. Israel took the conservative approach of counting only facilities-based mobile carriers. From the standpoint of pricing, however, Dr. Israel explains that it is appropriate to count mobile resellers. \textit{See ibid.} ¶ 48.


\textsuperscript{101} \textit{See California LifeLine Related Forms and Notices for Carriers}, Cal. Pub. Utils. Comm’n, \url{https://www.cpuc.ca.gov/consumer-support/financial-assistance-savings-and-discounts/lifeline/lifeline-related-forms-and-notices-for-carriers} (last visited Jan. 20, 2023) (choose “2022” under “THIRD PARTY ADMINISTRATOR LIFELINE CUSTOMER COUNTS” to access data in Excel file) (indicating that, as of November 2022, there were more than one million mobile LifeLine customers and fewer than 200,000 wireline LifeLine customers).
consumers have now cut the cord for voice service.\textsuperscript{102} Likewise, when customers move, they do not have to cancel and initiate new service, nor do they have to worry about changing phone numbers. In addition, mobile wireless is also almost always bundled with features like long distance service, voicemail, caller ID, three-way calling, and text messaging that are not included with basic telephone service.\textsuperscript{103} And in many cases, these wireless plans include data service in addition to voice service.\textsuperscript{104}

Mobile wireless service is also highly reliable. Current wireless voice technology offers substantially better quality than earlier versions.\textsuperscript{105} Although some might cling to the belief that POTS offers still better call quality, consumers have reached the opposite view: as noted, the overwhelming majority primarily use mobile wireless service for their voice calls.\textsuperscript{106} Mobile wireless providers are also subject to the FCC’s 911 regulations, including location-accuracy requirements.\textsuperscript{107} According to AARP, “[t]he bottom line is that you can make the switch from your copper-wirelandline safely.”\textsuperscript{108} Indeed, “‘it is actually safer to call 911 from a cellphone because of all of the additional information that you are able to share.’ … For example, Apple iOS users can choose to share critical health information via the Apple Medical ID feature, a

\textsuperscript{102} See supra n.4 (U.S. government data on cord-cutting in California).

\textsuperscript{103} Israel Decl. ¶ 50.

\textsuperscript{104} Id. ¶ 47 & tbl. 3 (the lowest cost T-Mobile and AT&T plans include a data allowance).


\textsuperscript{106} See supra n.4 (U.S. government data on cord-cutting in California).

\textsuperscript{107} 47 C.F.R. § 9.10.

potentially lifesaving function.”

Moreover, mobile wireless service provides access to 711 abbreviated dialing for Telecommunications Relay Service users. Not surprisingly, even most of the remaining California landline customers rely primarily on their mobile phones.

IV. GRANTING THE REQUESTED COLR RELIEF TO AT&T CALIFORNIA WOULD BENEFIT CONSUMERS, WORKERS, AND THE ENVIRONMENT.

AT&T California’s COLR obligation is unnecessary to ensure connectivity for the 99.9 percent of consumers in AT&T California’s service territory who can choose at least one voice alternative to POTS. On the other side of the cost-benefit ledger, the COLR obligation is affirmatively counterproductive because (1) it requires AT&T (but not its competitors) to divert resources away from broadband deployment in California; (2) it reduces competitive intensity for modern communications services by arbitrarily constraining AT&T—and only AT&T; and (3) it harms the environment by requiring AT&T to maintain an aging and energy-inefficient TDM network alongside its greener wireless and fiber broadband network. Freeing AT&T California from its anachronistic and unduly burdensome COLR obligation thus would promote competition, further investment in new broadband technologies, create new jobs, and better protect the environment.

109 Id. (quoting RapidSOS Chief Executive Michael Martin and noting that RapidSOS works with thousands of 911 call centers).


111 See supra n.4 (U.S. government data on California consumer phone preferences).
A. Targeted COLR Relief Would Enhance Competition and Benefit Consumers and Workers.

The COLR obligation requires AT&T California, and it alone, to offer legacy voice-only service on a highly regulated and tariffed basis in its service area. That obligation harms consumers by slowing technological progress and distorting competition.

Dr. Israel explains the economics of technological evolution in these words:

When older technologies become eclipsed by newer technologies, there are often transition periods when both exist at the same time, with market forces determining when and where each technology is offered, on what terms, and how the old technology is phased out. During that process, a core tenet of market economics is that investment will be efficiently allocated by market forces. Eventually, older technologies are retired completely when any remaining demand for them no longer justifies the investments required to provide them. During the transition process from one technology to the next, there may still be people who would like to use the older technology if they could get it at the price charged when it was widely available. But as demand for the product evaporates, and economies of scale in producing the product likewise disappear, it can become uneconomic for the product to be produced at all—and certainly uneconomic for it to be provided at historical prices—and thus the product fades away in favor of newer, more popular technologies.\(^\text{112}\)

AT&T California’s COLR obligation impedes this “essence of competition and … engine of technological progress.”\(^\text{113}\) As Dr. Israel explains, when regulation forces a company to provide a legacy technology in places where market forces otherwise would have led to its replacement, economic theory holds that investment is misallocated. This misallocation “waste[s]” economic resources, harming consumers.\(^\text{114}\) Even consumers who prefer the older technology will be harmed in the long run, post-transition, when they too will rely upon the

\(^{112}\) Israel Decl. ¶ 19.

\(^{113}\) Id. ¶ 20.

\(^{114}\) Id.
newer technology, which will be less developed or extensively deployed than it otherwise would have been due to the waste.\textsuperscript{115}

Here, the COLR obligation requires AT&T California to divert financial and human resources to maintaining the obsolescent copper-based network throughout its service territory.\textsuperscript{116} Overall, AT&T California has been investing over a billion dollars each year on its legacy copper network and associated legacy services in California.\textsuperscript{117} These immense sums of money are not being put to their best use, slowing technological and economic progress.\textsuperscript{118}

In addition, AT&T California’s COLR obligation distorts competition by placing AT&T at a stark disadvantage compared to its fixed and mobile broadband rivals. For fixed broadband, cable companies such as Comcast, Charter, and Cox lead in subscribership in their franchise areas.\textsuperscript{119} For mobile broadband, T-Mobile and Verizon Wireless have similar scale and scope to AT&T Mobility.\textsuperscript{120} Unlike AT&T, those market leaders can focus their resources on providing the state-of-the-art communications services that today’s consumers actually demand.

Placing AT&T at this asymmetric regulatory disadvantage harms competition overall. As Dr. Israel explains, economic theory says that all else being equal, investors prefer firms that can devote their resources to the best new technology, not ones that have to spend wastefully on a technology for which demand has largely died.\textsuperscript{121} Firms with older technology also tend to be

\begin{footnotes}
\item\textsuperscript{115} See id.
\item\textsuperscript{116} See supra Section III; see also Israel Decl. ¶ 23.
\item\textsuperscript{117} See Israel Decl. ¶ 23. As TDM subscribership declines, fewer and fewer people benefit from this spending, making this diversion of resources increasingly inefficient. See id. ¶¶ 19–23.
\item\textsuperscript{118} See id. ¶ 24.
\item\textsuperscript{119} See id. ¶¶ 52, 54 & tbl. 4.
\item\textsuperscript{120} See id. ¶¶ 52–53.
\item\textsuperscript{121} See id. ¶ 22.
\end{footnotes}
less-attractive employers. Both financial and human resources are “critical to compete effectively,” so requiring only one firm to “divert resources to a dying legacy technology … is bad for the overall competitive process—reducing competitive pressure on other firms—and hence for consumers.”

By the same token, removing that regulatory disadvantage would benefit consumers by allowing AT&T California to retire obsolete services and equipment and redirect savings to expansion of its state-of-the-art, future-proof broadband technologies. Software-defined fiber and wireless networks like the one AT&T is deploying are more flexible and easier to configure and update than traditional copper networks because the software that controls them resides separately from the physical networking equipment. Instead of physical equipment controlling the network, software “virtualizes” and automates network functions, including provisioning and monitoring. In addition, many components require only software updates for upgrades instead

122 See id.

123 Id.; see also id. ¶ 27.

124 See id. ¶¶ 24–25, 27, 59.


126 Jeff Heynen, Dell’Oro Grp., Telco’s Tipping Point: 10G Fiber and Software-Defined Access 7 (2020) (explaining that software-defined networks allow “network engineers [to] automate the provisioning and management of services remotely and continuously update scripts to monitor the health of network elements”); Niall Robinson, The Rise of SDN in Open Optical Networks, LightWave (Sept. 12, 2018),
of physical hardware replacements. These capabilities reduce operational costs significantly. Moreover, last-mile fiber connections by and large “can easily scale speeds over time to meet the evolving connectivity needs of households and businesses” simply by replacing the equipment at the endpoints, not the entire connection.

That redirection of the company’s resources also should spur greater investment by the company’s competitors. “All consumers in California would benefit from such enhanced


127 See John Donovan, CEO – AT&T Commc’ns, Paving the Way for Software-Defined Networking, AT&T Blog (Oct. 20, 2014), https://about.att.com/innovationblog/120514pavingthewayfo (stating that new network capabilities can be added to software-defined networks using software upgrades); What Is SDN? (explaining that software-defined networks can be controlled and programmed using “software applications”); Geoffrey Starks, Comm’r, Fed. Commc’ns Comm’n, Remarks at the FCC & NCSC National Supply Chain Integrity Joint Workshop 2 (Apr. 26, 2021), https://www.fcc.gov/document/starks-remarks-supply-chain-integrity-workshop (explaining that software-defined technology allows “carriers to make upgrades, including adding 5G capabilities and new spectrum bands, via software updates instead of hardware replacements, which can be expensive and time-consuming, particularly in the remote areas”).

128 Rise of SDN (noting that the use of software-defined networks results in “greater operational efficiency”); Tom Wheeler, Chairman, Fed. Commc’ns Comm’n, Prepared Remarks at the Brookings Institution 2 (June 26, 2015), https://www.fcc.gov/document/remarks-fcc-chairman-tom-wheeler-brookings-institution (“Wheeler Remarks”) (“Verizon, for instance, reports that the replacement of central office physical switching systems with software reduces their real estate costs by up to 80 percent. What used to require floors and floors of switches can now be done by a few racks of computers in a fraction of the space.”); id. (noting that “the evolution to software defined networks with virtualized components means that network operating expenses decrease” and “can save up to 60 percent on energy costs”).


130 BEAD NOFO at 42 (“End-to-end fiber networks can be updated by replacing equipment attached to the ends of the fiber-optic facilities, allowing for quick and relatively inexpensive network scaling as compared to other technologies.”).

131 See Israel Decl. ¶¶ 22, 27.
competitive pressure and the associated improvement in allocation of investment dollars.”

These new investments would narrow the digital divide by enabling more consumers to enjoy the social and economic advantages of modern telecommunications services. As this Commission recently noted, “[p]roviding for more broadband deployment as a means of bridging the Digital Divide has become an enhanced priority for California.” In the words of Governor Newsom’s Executive Order N-73-20, it “will accelerate continuous improvements in economic and workforce development, infrastructure, public safety, education, economy, and an engaged citizenry.” California workers would benefit too, as the improved investments would support well-paying jobs.

**B. Targeted COLR Relief Would Increase California’s Energy Security and Benefit the Environment.**

Approval of this Application would also make for sound energy and environmental policy. Today, as a result of its COLR obligation, and while AT&T is expanding its cutting-edge broadband network, AT&T California maintains a redundant, antiquated, copper-based TDM network. Indefinitely maintaining this latter network simply to support the rapidly dwindling number of California consumers who retain POTS is not only economically, but also environmentally, wasteful. COLR relief is thus an important component of AT&T’s commitment to become carbon-neutral across its entire global operations by 2035.

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132 *Id.* ¶ 27.


telecommunications industry emits twice as much CO₂ as civil aviation.\footnote{136} Decisively cutting those emissions is crucial to meeting climate change goals. As Governor Newsom has stated, “We need to supercharge our efforts to significantly reduce harmful carbon pollution.”\footnote{137}

Relief from its COLR obligation would facilitate AT&T California’s migration to its growing broadband network. This transition will allow AT&T California to use less of the state’s electricity,\footnote{138} hastening the transition from fossil fuels. Copper networks consume massive amounts of electricity.\footnote{139} Because fiber networks use unpowered (passive) optical splitters and generate less heat overall (thereby requiring less cooling), replacing copper with fiber improves energy efficiency by over two thirds.\footnote{140} Modern IP switches are very efficient and can be housed in much smaller facilities with correspondingly smaller energy needs than the gargantuan facilities that legacy TDM switches require.\footnote{141} As this Commission knows all too well, California needs all the load reduction that can be accomplished.\footnote{142}


\footnote{138} Israel Decl. ¶ 26.

\footnote{139} \textit{Id.}


\footnote{141} Wheeler Remarks (noting that software defined networks “can save up to 60 percent on energy costs”); see Israel Decl. ¶ 26.

\footnote{142} \textit{See, e.g., Ord. Instituting Rulemaking To Establish Pol’ys, Processes, & Rules To Ensure Reliable Elec. Serv. in Cal. in the Event of an Extreme Weather Event in 2021}, D.21-03-056, 2021 WL 1240280, at *1, *5 (Cal. P.U.C. Mar. 25, 2021) (directing large electric companies “to take specific actions to decrease peak and net peak demand and increase peak and net peak supply to avert the potential need for rotating outages that are similar to the events that occurred in summer 2020 in the summers of 2021 and
Fiber networks also require less maintenance than the old copper network. Less maintenance means fewer truck rolls to repair sites and thus less consumption of fossil fuels.

Similarly, software-defined fiber networks generally do not require new construction or technician visits to increase the capacity delivered to subscribers, further reducing energy demand over the long run.

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144 See Barry Walton, Cost Calculations of Fiber and Copper, Corning, https://www.corning.com/fiber-to-the-premise/worldwide/en/home/knowledge-center/cost-calculations-of-fiber-and-copper.html (last visited Dec. 28, 2022) (“[C]opper-based broadband service can be less reliable and often requires several repeat truck rolls with technicians of various skill sets to carry out the frequent repairs needed to maintain service speeds.”); Yanita Boyadzhieva, TalkTalk Finds Fibre Networks Will Cost The Planet Much Less Than Copper, TelecomTV (Apr. 8, 2022), https://www.telecomtv.com/content/sustainability/talktalk-finds-fibre-networks-will-cost-the-planet-much-less-than-copper-44136/ (reasoning that fiber is more resilient than copper, and this results in “fewer faults and ‘dramatically’ less need for engineers to be sent to fix the networks” and in “lower carbon footprint through reduced transportation costs”).

In short, subjecting AT&T California to a continued COLR obligation throughout its wireline footprint impedes the greening of the state’s economy. Approval of this Application is the correct choice for the environment.

V. AT&T CALIFORNIA’S PROPOSAL FOR TARGETED COLR RELIEF

This Application seeks targeted COLR relief for areas in AT&T California’s service territory where another voice service currently exists, and a process for obtaining COLR relief in those areas that currently do not have a voice alternative. In particular, it proposes that the Commission remove the COLR obligation only in census blocks where there is a demonstrated voice alternative to AT&T California’s POTS service. In those census blocks, COLR would sunset, and AT&T California would be authorized to withdraw its basic service, as COLR is no longer necessary to fulfilling its purpose of ensuring consumers have access to voice service. Further, to foreclose any concerns regarding service disruption, in those census blocks where COLR sunsets, AT&T California would commit to maintain POTS to current customers during a reasonable transition period. Where, however, there currently is no alternative to POTS for voice service, AT&T California would remain the COLR and provide basic service until such time as AT&T California demonstrates an alternative to the Commission through the streamlined process discussed below.

Specifically, AT&T California’s proposal is as follows:

- *Areas with a voice alternative.* AT&T California seeks COLR relief for geographic areas where there is a demonstrated voice alternative to AT&T California’s POTS. In those areas, AT&T would no longer have a COLR obligation to provide a basic voice service, and its tariff would be modified accordingly.

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146 Consistent with the way the FCC aggregates areas that do not overlap perfectly with census areas, AT&T California considers a census block to have a demonstrated voice alternative to its POTS service based on wireless service only if a wireless carrier’s footprint covers at least 50 percent of the physical area of that census block. See Israel Decl. ¶ 31 & n.27.
• **Continuation of existing service.** To allow any existing AT&T POTS customer to transition to a different technology for voice service over time and without disruption, AT&T California would commit to maintaining each existing customer’s current POTS voice service (per the basic service tariff) at that customer’s current service location for at least six months after grant of this Application.

• **Tariffing changes.** To operationalize COLR relief, the Commission should authorize AT&T California to modify its basic service tariff to exclude geographic areas where the Commission determines in this proceeding there is a demonstrated voice alternative offered by any provider. The exclusion would become effective in a geographic area when AT&T California discontinues POTS there.

• **Areas without a voice alternative.** For the geographic areas that do not yet have a voice alternative, AT&T California would continue to satisfy its COLR obligation as it does today until such time as AT&T California demonstrates that a voice alternative offered by any provider has become available.

• **Streamlined process for future relief.** As wireless and fiber networks are expanded in AT&T California’s service territory, the geographic areas subject to its COLR obligation would be reduced accordingly.

  o In those circumstances, AT&T California would file a Tier 1 advice letter with the Commission demonstrating that the geographic areas at issue now have a voice alternative offered by any provider.

  o After this process is completed, AT&T California would be authorized to modify its basic service tariff further to exclude the additional areas subject to the advice letter. However, current customers in the affected areas, as of the advice letter’s effective date, would continue to receive POTS (per the tariff) until AT&T California discontinues POTS, which would be no sooner than six months after the effective date of the advice letter.

AT&T California’s proposal for targeted COLR relief reflects its continued commitment to California and its consumers. Following approval of this Application, AT&T’s fiber and mobile broadband network—bolstered by internal resources redirected from the TDM network—would continue to deliver high-speed broadband services to the state’s residents, businesses, and government agencies. Moreover, AT&T California designed the proposal to ensure COLR relief would not leave consumers without voice service. First, for the small number of subscribers in
AT&T California’s service territory without a demonstrated voice alternative—which Dr. Israel estimates to number fewer than 1,482—AT&T California would continue to act as the COLR until such time as they gain a voice alternative from any provider. Second, for existing POTS customers in areas where COLR relief is granted, AT&T California would commit to an ample period for customers to transition to a different technology for voice service. Together, these two elements should ensure an orderly transition and prevent any service disruption.

VI. PROCEDURAL REQUIREMENTS

A. Compliance with Rule 2.1(a)

Pursuant to Rule 2.1(a) of the Commission’s Rules of Practice and Procedure, AT&T California’s full legal name is Pacific Bell Telephone Company d/b/a AT&T California. AT&T California is a corporation created under the laws of California and is located at 430 Bush Street, San Francisco, CA 94108.

B. Compliance with Rule 2.1(b)

Pursuant to Rule 2.1(b) of the Commission’s Rules of Practice and Procedure, AT&T California provides the following contact information:

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Director – Regulatory
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San Francisco, CA 94108
Tel: (415) 417-5018
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147 See id. ¶¶ 34 tbl. 1, 56 (1,159 residential POTS lines and 323 business POTS lines).

148 When a voice alternative becomes available in a census block, AT&T California would follow the advice letter process described above for relief.
C. Compliance with Rule 2.1(c)

Pursuant to Rule 2.1(c) and Rule 7.1 of the Commission’s Rules of Practice and Procedure, this Application should be categorized as a rate-setting proceeding. The sole issue to be considered is whether AT&T California shall be authorized to withdraw as COLR and modify its tariff as explained herein. AT&T California does not believe an evidentiary hearing will be warranted. The proposed schedule is:

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>March 3, 2023</td>
<td>AT&amp;T California Files Application</td>
</tr>
<tr>
<td>30 days after appears in Daily Calendar</td>
<td>Responses/Protests to Application(^{149})</td>
</tr>
<tr>
<td>40 days after appears in Daily Calendar</td>
<td>Reply to Responses/Protests to Application</td>
</tr>
<tr>
<td>61 days after appears in Daily Calendar</td>
<td>Pre-Hearing Conference</td>
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<tr>
<td>90 days after appears in Daily Calendar</td>
<td>Scoping Memo</td>
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<tr>
<td>150-165 days after appears in Daily Calendar</td>
<td>Public Participation Hearings</td>
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<tr>
<td>180 days after appears in Daily Calendar</td>
<td>Opening Comments</td>
</tr>
<tr>
<td>201 days after appears in Daily Calendar</td>
<td>Reply Comments</td>
</tr>
<tr>
<td>300 days after appears in Daily Calendar</td>
<td>Proposed Decision</td>
</tr>
<tr>
<td>First voting meeting in February 2024</td>
<td>Decision Approved and Effective</td>
</tr>
</tbody>
</table>

D. Compliance with Rule 2.2

Rule 2.2 requires applicants to submit with their applications a copy of the entity’s organizing documents and evidence of the applicant’s qualification to transact business in California. But in lieu of submitting these documents, the Rule also allows an applicant to

\(^{149}\) Although not required by the rules, AT&T California has served this Application on each party of record on the service list in Rulemaking 22-03-016 in a good-faith effort to notify anticipated interested parties.
reference current documentation previously filed with the Commission. A copy of AT&T California’s Articles of Incorporation, as amended, was filed with the Commission on January 14, 2000 in Application No. 00-01-023, and is incorporated herein by reference.

VII. CONCLUSION

Granting this Application for targeted relief of AT&T California’s COLR obligation and certain associated tariff obligations would increase investment in world-class, next-generation networks, promote California’s economic and environmental goals, and result in regulatory parity—all while protecting the needs of current basic service customers. For these reasons, the Commission should do so promptly.

Dated this 3rd day of March 2023.

Respectfully submitted,

AT&T California

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VERIFICATION

Marc D. Blakeman, under penalty of perjury, certifies as follows:

I am an officer, President, of Pacific Bell Telephone Company d/b/a AT&T California and am authorized to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are therein stated on information or belief, as to those matters I believe them to be true.

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

Executed on March 3, 2023 at San Francisco, California.

/s/
Marc D. Blakeman
ATTACHMENT A

DECLARATION OF MARK A. ISRAEL

[PUBLIC VERSION]
BEFORE THE PUBLIC UTILITIES COMMISSION OF
THE STATE OF CALIFORNIA

| Application of Pacific Bell Telephone Company d/b/a AT&T California (U 1001 C) for Targeted Relief from Its Carrier of Last Resort Obligation and Certain Associated Tariff Obligations | A.23-03-xxx (Filed March 3, 2023) |

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DECLARATION OF MARK A. ISRAEL

ON BEHALF OF AT&T

[PUBLIC VERSION]

Filed March 3, 2023
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I. QUALIFICATIONS, ASSIGNMENT, AND SUMMARY OF CONCLUSIONS

1. In this section, I describe my qualifications, assignment, and overall conclusions.

A. QUALIFICATIONS

2. I am a Senior Managing Director at Compass Lexecon, an economic consulting firm where I have worked since 2006. From 2000 to 2006, I served as a full-time member of the faculty at Kellogg School of Management at Northwestern University in Illinois.

3. I am an economist by training and by profession. I have Bachelor’s, Master’s and Doctoral degrees in economics. I received my B.A. from Illinois Wesleyan University in 1991, graduating summa cum laude. I received my M.S. from the University of Wisconsin-Madison in 1992. I received my Ph.D. from Stanford University in 2001.

4. I specialize in the economics of industrial organization—which is the study of competition in imperfectly competitive markets, including the study of antitrust and regulatory issues—as well as applied econometrics. At Kellogg and Stanford, I taught graduate-level courses covering topics including business strategy, industrial organization economics, and econometrics. My research on these topics has been published in leading peer-reviewed economics journals, including the American Economic Review, the Rand Journal of Economics, the Review of Industrial Organization, Information Economics and Policy, and the Journal of Competition Law and Economics.

5. My work at Compass Lexecon has focused on the application of economic theory and econometric methods to competitive analysis of the impact of mergers, antitrust and pricing issues including a wide variety of single-firm and multi-firm conduct, class certification, and damages estimation. I have analyzed these competition issues on behalf of a wide range of clients, including private companies and government entities.

6. I have particular interest, experience, and expertise in applying economic analysis to issues involving competition and regulation in telecommunications. I have been involved in the telecommunications industry throughout my career, have been among the lead economists on nearly all of the recent wireless telecommunications transactions of significance in North America, including the recent Sprint-T-Mobile and Verizon-Tracfone transactions in the United
States and the recent Rogers-Shaw transaction in Canada. As part of this work, I have submitted testimony related to the telecommunications industry before courts, tribunals, and regulatory bodies on many occasions.

7. I have testified in federal courts and multiple state courts in the United States, and in many regulatory and arbitration proceedings in the United States and around the world, including Canada. I have testified repeatedly before the U.S. Federal Communications Commission (“FCC”), which regulates international and interstate communications in the United States by, among other things, radio. In addition, I have testified before the Public Utilities Commission of the State of California (“CPUC”) during my work on Verizon-TracFone, Sprint-T-Mobile, and Comcast-Time Warner Cable transactions. I have also presented my findings to the Department of Justice and the Federal Trade Commission on dozens of occasions. In addition, I have submitted expert reports, declarations, and affidavits to government agencies and federal and state/provincial courts on numerous occasions over the years.

8. My curriculum vitae, attached as Attachment A to this declaration, includes a list of my publications and a list of my engagements in which I testified at trial or by deposition.

B. BACKGROUND AND ASSIGNMENT

9. AT&T’s subsidiary Pacific Bell Telephone Company, d/b/a AT&T California, is an Incumbent Local Exchange Carrier (“ILEC”) providing Plain Old Telephone Service (“POTS”) in its service territory in the state of California. In this declaration, I will refer to Pacific Bell as AT&T for simplicity, but all my analysis concerns AT&T’s subsidiary Pacific Bell and its service territory in California.

10. As an ILEC, AT&T is subject to regulations, one of which is a Carrier of Last Resort (“COLR”) designation, which requires it to provide basic voice service upon request to customers within its designated service territory.¹ I understand that, based on the demonstrated

¹ See, e.g., COLR definition in CPUC General Order 133-D (available at https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpuc_public_website/content/proceedings/proceedings_rules/go133d.pdf). AT&T provides POTS over its Time-Division Multiplexing (“TDM”) network to satisfy its COLR obligation.
presence of voice alternatives, AT&T is requesting that the CPUC eliminate the COLR obligation with respect to its service territory in California.

11. I have been asked by counsel for AT&T to evaluate, based on my training and experience in economics and my experience in telecommunications, whether continuing AT&T’s COLR obligation serves the public interest, or if, instead, eliminating the COLR obligation would better serve the public interest. More specifically, I have been asked to evaluate: (i) whether a requirement to maintain a declining legacy technology in the presence of superior alternatives is economically efficient or inefficient, and, relatedly, whether customers would benefit from the elimination of the COLR obligation with respect to AT&T’s POTS; (ii) whether areas where there are AT&T POTS customers have access to one or more alternative forms of voice service from other providers, based on superior technologies such as mobile and Voice Over Internet Protocol (“VOIP”); (iii) whether POTS is growing or declining in California relative to these mobile and VOIP alternatives; and (iv) whether remaining POTS customers will be harmed by, or will benefit from, the proposed elimination of AT&T’s COLR obligation.

12. The materials I have relied upon are listed in Attachment B. In addition to analyses of data, I had conducted interviews with AT&T subject matter experts on several topics relevant to my opinions in this matter. I have been assisted in my work by staff at Compass Lexecon working under my direction.

C. SUMMARY OF CONCLUSIONS

13. Applying core principles of economics to the relevant facts and data yields the following principal conclusion: Allowing AT&T to relinquish its COLR obligation and discontinue its POTS in California would be economically efficient, benefit consumers, and serve the public interest. A COLR obligation mandating indefinite support of a declining legacy technology in the face of widely available alternatives based on superior technologies, such as mobile and VOIP, is economically inefficient, tying up scarce resources that could better serve consumers elsewhere, including via redeployment to investment in superior technologies. Such

2. Throughout this declaration, I use the term “mobile” when referring to mobile wireless services, consistent with CPUC and FCC nomenclature. By contrast, fixed broadband services may be provided through fixed wireless (not mobile) or through landlines.
problems are part and parcel of the need to maintain the legacy network: AT&T is required to maintain indefinitely a legacy network even though fewer and fewer customers use it, thus violating the core economic principle that investments should track consumer demand.

14. My principal conclusion is supported by the following more detailed findings:

- COLR is a remnant from a different era in telecommunications when POTS was the only widely available voice technology, and it was provided by regulated local monopolies in designated service territories. Under those conditions, COLR requirements served the public policy goal of ensuring access to voice service for all consumers even in the face of a monopoly provider. But today, in the presence of many alternatives from other carriers—which generally provide superior and more popular voice technologies—a policy that forces just one competitor among many to devote scarce resources to a declining legacy technology distorts competition, inefficiently allocates scarce resources, and harms consumers. (Section II)

- Both current and potential future customers in AT&T’s service territory would benefit if AT&T were relieved of its COLR obligation. This conclusion follows as a matter of economics because continuing that obligation requires that scarce resources continue to be devoted to maintaining legacy POTS service, rather than devoted to newer technologies that will benefit California consumers going forward. This is not a trivial concern. Unlike its competitors, AT&T must devote more than a billion dollars a year in California to maintaining an entire legacy network and set of services that serves a small and rapidly declining fraction of customers. And it must do so while also maintaining and investing in the newer technologies that consumers demand and that will enable it to compete going forward. Regulating to bolster an otherwise declining technology is regulating against market forces, and while this might superficially appear to offer some short-term benefits for a few consumers using the declining technology, the long run effect will be to harm consumers, including current POTS customers, because of years of inefficiently allocated resources and slowed technological advancement. (Section II)
• Empirical analysis demonstrates that AT&T’s POTS faces substantial competition in nearly all locations in its service territory, which is not surprising given the ubiquity of cable companies and mobile voice providers. Almost 100 percent of existing and potential customers within AT&T’s POTS service territory have one or more alternative facilities-based options for voice service. This competition means that the economic justification for the COLR obligation—ensuring that consumers have access to voice services in the face of a monopoly provider—no longer exists. (Section III)

• The market has demonstrated the superiority of alternative technologies, as the number of POTS lines in service has been steadily declining for many years, whereas the number of customers using mobile or VOIP alternatives has been steadily growing. (Section IV)

• For the small and declining number of remaining POTS customers serviced by the legacy network, AT&T will offer protections to ensure ongoing, affordable service and thus avoid any disruption. (Section V)

II. COLR CREATES REGULATORY DISPARITY, DISTORTS COMPETITION, AND LEADS TO INEFFICIENT INVESTMENT, ALL TO THE DETRIMENT OF CONSUMERS

15. The COLR obligation has its economic roots in a time when there was only one carrier and only one voice technology in any given area. But circumstances have changed dramatically: Competition is now intense, and there are superior alternative voice technologies available in almost all areas. The obligation that once made economic sense for a regulated monopolist now creates significant economic distortions, given the ubiquity of superior alternative voice technologies and the strength of the associated competition.

3. “Although the public switched telephone network used to be the only means to connect, there now exist many other voice service options for consumers in the United States.” FCC 2022 Communications Marketplace Report, FCC 22-103, December 30, 2022, ¶ 168.
16. COLR regulation traces its roots to English common law and the concepts of “common carrier” and “franchise.” Common carriers in many industries, including telecommunications, were essentially local monopolists who had exclusive access to customers within their franchise territories. Existence of such local monopolies was often justified by the relatively high fixed costs required to build and maintain the networks required for service. In the presence of such monopoly providers, the COLR obligation ensured that no consumer could be denied service by that monopolist. Prices were typically regulated so that: (i) consumers could obtain a reasonably priced service while (ii) local monopolists could obtain a reasonable rate of return on investment. In this way, regulated monopolies are a kind of *quid pro quo*, in which a firm is granted the right to run the local monopoly, but in exchange it agrees to a variety of requirements on service and pricing, including the COLR obligation to provide service to any consumer in the service territory.

17. This set of circumstances obviously does not describe telecom today: Incumbents lost their local monopoly status in 1996 when the Telecommunications Act opened local markets for competition. Since then, superior telecom technologies have emerged and continued to evolve, e.g., mobile and VOIP technologies. But regulations have failed to keep pace with these changes. Incumbents have remained subject to obligations that the new competitors are not subject to, creating an unjustified and competitively harmful disparity, which distorts competition, leads to inefficient deployment of investment dollars, and harms consumers.

18. More specifically, the disparity imposes costs on incumbents that the new competitors do not face. This has two economic effects. First, it handicaps the incumbents and distorts competition. Second, it mandates an inefficient allocation of resources among different technologies. Both effects work to the overall detriment of consumers.

19. The classic economic example of buggy whips, used with horses and carriages, which faded away after the introduction of the internal combustion engine and automobiles, is relevant here. While consumers adopted automobiles at different times, and some might have

4. See, e.g., Lichtenberg, Sherry, “Carrier of Last Resort: Anachronism or Necessity?” National Regulatory Research Institute, Report No. 16-06, July 2016, pp. 5-7 (available at https://pubs.naruc.org/pub/FA85B978-00A3-862C-5E8D-9E10816FA7DB).
benefited from forced maintenance of buggy whip production for some period of time, a
regulatory requirement to maintain buggy whip production once the automobile industry was
established would have been inefficient and harmful to consumers, due to the dynamic nature of
changing technologies. When older technologies become eclipsed by newer technologies, there
are often transition periods when both exist at the same time, with market forces determining
when and where each technology is offered, on what terms, and how the old technology is
phased out. During that process, a core tenet of market economics is that investment will be
efficiently allocated by market forces. Eventually, older technologies are retired completely
when any remaining demand for them no longer justifies the investments required to provide
them. During the transition process from one technology to the next, there may still be people
who would like to use the older technology if they could get it at the price charged when it was
widely available. But as demand for the product evaporates, and economies of scale in
producing the product likewise disappear, it can become uneconomic for the product to be
produced at all—and certainly uneconomic for it to be provided at historical prices—and thus the
product fades away in favor of newer, more popular technologies.

20. This process of Schumpeterian “creative destruction” is the essence of
competition and the engine of technological progress. But it can be distorted—to the detriment
of consumers—by regulation. If companies are forced to provide a legacy technology when
market forces would otherwise have resulted in that technology being retired, that is, by
definition, a market distortion. In such a case, investment is being made based on regulatory
requirements, not market forces, and investment cannot follow demand as efficiency dictates it
should. If a buggy whip manufacturer that started to make automobiles were required by
regulation to maintain its legacy buggy whip manufacturing facilities in their entirety, year after
year, in addition to the company’s new automobile manufacturing facilities, it is readily apparent
that (i) economic resources that market forces would otherwise efficiently allocate to newer
technologies would be wasted, and (ii) the company would be at a clear disadvantage relative to
automobile manufacturers that do not have to also maintain buggy whip manufacturing facilities.
Because resources inefficiently devoted to maintaining the dying technology are resources
diverted from more efficient uses, such as advancing the newer technologies, this slowing of the
Schumpeterian process ultimately harms everyone.
21. In the present context, there are two primary economic distortions of concern. First, due to the COLR requirement, AT&T is being required to inefficiently maintain two networks when market forces would, over time, retire one of those networks (TDM network that underlies POTS) in favor of the newer one. This reduces investment in the new network and its associated technologies and slows overall technological progress, to the detriment of all in the long-run. Second, the requirement applies only to a single firm (AT&T, the legacy ILEC), not to its competitors. This inhibits competition by handicapping the regulated firm and thus both prevents the regulated firm from allocating resources optimally, and it also discourages investment by unregulated firms, as they do not need to compete as vigorously as they would have to if the regulated firm were not operating under the regulatory handicap.

22. This regulatory handicap can manifest in a variety of ways. Even putting aside the clear effects on invested capital, scarce managerial and engineering time must go to the dying legacy product—scarce resources that otherwise would go to products that are actually competitively relevant going forward. As a result, the firm with the regulatory requirement will struggle under an inefficient allocation of human and financial resources, which will cause it to lag behind where it otherwise would be with respect to the new technologies. Moreover, the mandated inefficiency in investment and operations can also make it more difficult for the firm to attract investment dollars. All else equal, outside investors will prefer to invest in firms that are not subject to regulatorily-mandated inefficiency. Similarly, new recruits generally prefer to work at a company where their career paths are not at risk from being assigned to work on dying technology. When it comes to financial and human resources—which are both critical to compete effectively—a firm that must divert resources to a dying legacy technology is at an inherent competitive disadvantage to firms that do not need to do so. And placing one firm at an asymmetric competitive disadvantage is bad for the overall competitive process—reducing competitive pressure on other firms—and hence for consumers.

23. These are not just theoretical concerns. As a practical matter, the COLR requirement to maintain the legacy POTS network means both: (i) maintaining central offices with decades-old circuit switches when an Internet Protocol (“IP”) -based network could be run more efficiently, and (ii) having to maintain both networks simultaneously. Copper networks are generally more costly to operate and maintain than fiber networks, and COLR requires AT&T to
devote significant resources to maintaining that legacy POTS copper network. I understand from AT&T that it spends more than a billion dollars per year in California on its TDM network and associated legacy services. This is a clear example of a large investment that is not following consumer demand: As shown in Section IV, even in the face of the regulatory distortion requiring continued ubiquitous service availability for POTS, fewer and fewer people are willing to pay for POTS, with the vast majority of people preferring newer technologies.

24. Reallocation of investment dollars to newer technologies would also accelerate technological advancement. Newer fixed broadband and mobile technologies offer significant technological advantages over legacy POTS on the network side, including more efficient use of bandwidth and integration of additional functionality. When a call is initiated over a traditional circuit-switched network, a circuit is established between the parties of the call, and the entire bandwidth of the circuit is reserved for the call. In contrast, modern voice technologies rely on IP to transmit digitized signals in the form of “packets,” which does not require the dedication of an entire circuit to one call, but rather consumes only the bandwidth required for movement of IP

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5. One article describes estimates that “legacy copper network maintenance OPEX is two to seven times higher, energy costs are three to six times higher, and network fault rates are five to 10 times higher.” See, Dr. Taga, Karim, “Copper Switch Off: Opportunity to Drive Infrastructure Convergence?” Arthur D. Little Report, October 2021 (available at https://www.adlittle.com/en/insights/report/copper-switch-opportunity-drive-infrastructure-convergence). Another article notes that Verizon was able to achieve “nearly 60 percent operational savings” after rebuilding its network using fiber technology instead of copper after the legacy copper infrastructure was destroyed in some areas in 2012 by Hurricane Sandy. These savings were driven by “70 to 90 percent” higher reliability and “40 to 60 percent” lower energy consumption of fiber network relative to the (destroyed) copper network. See, Walton, Barry, “Cost Calculations of Fiber and Copper,” 2018 (available at https://www.corning.com/fiber-to-the-premise/worldwide/en/home/knowledge-center/cost-calculations-of-fiber-and-copper.html). AT&T subject matter experts confirmed that savings due to lower energy consumption and higher reliability of fiber networks are substantial. Interview with Joe Taylor, Shannon Carroll, and Isabella Szutkowski.

6. Interview of AT&T subject matter experts James Lacy and Will Schutts.
packets related to the call.\textsuperscript{7,8} Due to advances in IP networking over the past decades, transmission of data over the Internet has significant cost and flexibility advantages over relying on a dedicated network that is used only for (or primarily for) voice communications. In addition, managing VOIP connections is cheaper because it relies heavily on software as opposed to (more expensive) hardware.

25. Modern fiber networks are also more future-proof relative to AT&T’s legacy TDM network. End-to-end fiber networks can be scaled up relatively quickly and inexpensively by replacing equipment attached to both ends of optical fibers, without the need to lay new fiber.\textsuperscript{9} The shift to the so-called Software Defined Networking (“SDN”) architecture, which relies on software as opposed to hardware for network control, also improves upgradability and allows network operators to roll out new services quickly and efficiently.\textsuperscript{10}

26. There are also environmental costs to maintaining a legacy copper network in addition to a modern fiber network. For example, POTS lines have electricity pushed through

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7. See, \textit{e.g.}, Almeida, Fernando, and José Cruz, "Mitigation of Security Concerns of VoIP in the Corporate Environment." In \textit{Organizational, Legal, and Technological Dimensions of Information System Administration}, edited by Portela, Irene Maria, and Fernando Almeida, IGI Global, 2014, p. 258. See also, \url{https://www.geeksforgeeks.org/difference-between-voip-and-and-pots/}.


them from the central office to the household. Fiber networks consume less energy than copper networks due to lower transmission losses and less equipment required to send signals over the network.\textsuperscript{11} Based on an interview with AT&T subject matter experts, I understand that AT&T has a long-term sustainability initiative to address climate change.\textsuperscript{12} As a part of this initiative, I understand that AT&T evaluated potential energy and other savings that could be achieved by decommissioning AT&T’s TDM network and found them to be quite substantial.\textsuperscript{13}

- First, AT&T estimates that there are significant environmental costs resulting from AT&T’s operation of two networks—copper and fiber—instead of one network (fiber). Effectively two sets of network components consume scarce electricity, a large portion of which is generated using non-renewable sources.\textsuperscript{14}

- Second, based on AT&T’s analysis, significant electricity consumption savings would likely be achieved by moving from copper to fiber network. The much larger copper network switches consume significantly more power than smaller switches used in fiber networks. These older, bulkier switches also require larger spaces, sometimes occupying several floors, which have to be heated and cooled.

\begin{itemize}
\item Interview with Joe Taylor, Shannon Carroll, and Isabella Szutkowski. See, \textit{e.g.}, \url{https://about.att.com/csr/home/environment.html}.
\item There are other estimates of relative efficiency of fiber and copper networks. For example, one paper quotes an estimate that fiber networks emit 88 percent less greenhouse gas emissions per gigabit compared to other access technologies. See, \textit{e.g.}, Godlovitch, Ilsa and Peter Kroon, “Copper switch-off: European experience and practical considerations.” WIK-Consult White paper, 30 November 2020 (available at \url{https://www.wik.org/fileadmin/Studien/2020/Copper_switch-off_whitepaper.pdf}), pp. 28-29.
\end{itemize}
• Third, AT&T estimates that the truck roll required for repair and maintenance of fiber network is substantially lower than that required for maintenance of its TDM network. This is driven in part by lower failure rates associated with a fiber network.\textsuperscript{15}

27. Unlike AT&T, other mobile, cable and satellite providers of voice service do not have to spend billions of dollars maintaining a legacy network. If AT&T were able to operate in a more market-driven fashion, without a multi-billion-dollar regulatory distortion to investment, that would not only enable AT&T to allocate investment dollars more efficiently—based on market forces rather than regulatory mandate—but it would also put increased competitive pressure on AT&T’s competitors to invest more themselves in response to stronger competition from AT&T. All consumers in California would benefit from such enhanced competitive pressure and the associated improvement in allocation of investment dollars.

III. THERE ARE MULTIPLE VOICE SERVICE ALTERNATIVES AVAILABLE ACROSS ALMOST ALL OF AT&T’S POTS SERVICE TERRITORY

28. In this Section, I demonstrate that AT&T’s service territory is almost entirely covered (with only de minimis exceptions) by overlapping footprints of other voice service providers—using both fixed and mobile technologies—meaning that COLR is no longer needed to ensure ubiquitous availability of voice service.\textsuperscript{16} I perform my analysis at the Census Block (“CB”) level.\textsuperscript{17} When summarizing my results, I present calculations based on both (i) the

\textsuperscript{15} See, also, Buckley, Sean, “Verizon sees value in transforming network to IP, fiber, but conversion challenges remain,” Fierce Telecom, May 19, 2015, (“Unlike copper, fiber is also less prone to damage from water or other environmental issues, meaning it can reduce truck rolls to solve customer issues.”), available at https://www.fiercetelecom.com/telecom/verizon-sees-value-transforming-network-to-ip-fiber-but-conversion-challenges-remain.

\textsuperscript{16} As I noted above, I use the terms “fixed broadband” and “mobile” consistent with CPUC and FCC nomenclature. Fixed broadband includes both landline services and fixed wireless services.

\textsuperscript{17} I use 2020 CB boundaries.
current population residing in CBs within AT&T’s service territory,\(^\text{18}\) which reflects the pool of potential customers whom AT&T would be required to serve if requested, and (ii) the number of actual AT&T POTS lines as of December 2022.

29. To define AT&T’s service area, I first obtained AT&T’s POTS service territory map from the FCC (“FCC Study Areas”), which depicts the service areas for all ILECs throughout the United States.\(^\text{19}\) The FCC Study Areas data, shown below in Figure 1, consist of Geographic Information System (“GIS”) shapefiles, which I converted into 2020 CBs.\(^\text{20}\) To do this, I first overlayed the map of AT&T’s POTS areas, as defined by the GIS shapefiles, with boundaries of CBs. I then classified CBs as either within AT&T’s POTS service territory or outside of it. I consider CBs with any AT&T POTS network presence to be a part of the service territory, even if not the entire CB area is covered by AT&T’s POTS service.\(^\text{21}\) That is, if any portion of a CB falls within the FCC Study Areas, I treat the entire CB as part of AT&T’s service territory.

\[\begin{align*}
\text{18.} & \quad \text{I rely on U.S. Census Bureau’s (“Census”) 2020 population estimates (available at https://www2.census.gov/geo/tiger/TIGER2020/TABBLOCK20/).} \\
\text{19.} & \quad \text{Available at https://www.fcc.gov/economics-analytics/industry-analysis-division/study-area-boundary-data. As noted above, I use data specific to AT&T’s subsidiary “Pacific Bell.”} \\
\text{20.} & \quad \text{Available at https://www.fcc.gov/file/18873/download. Shapefiles define an area by specifying coordinates on map of a collection of geometric shapes (polygons). Such polygons may be overlaid with polygons representing other boundaries, such as CB boundaries or service maps of other providers.} \\
\text{21.} & \quad \text{More specifically, I calculate the percentage of the total area of each CB covered by AT&T’s POTS service territory. Because some of the shapes (polygons) are cut imprecisely in the underlying data, and, additionally, because calculations of the areas of complex shapes involve approximations, the resulting calculated percentage overlap between AT&T’s service territory and the CB boundaries sometimes includes a small amount of rounding error. To minimize the effect that the rounding error has on my analysis, I assume that any CB that does not have at least 0.1 percent of the area overlapping is not a part of AT&T’s POTS service territory. Imposing this condition excludes only 0.2 percent of the total number of CBs.}
\end{align*}\]
30. I then compare the CB-level POTS service territory with footprints for other voice providers, based on maps of fixed broadband and mobile coverage from the CPUC, which includes maps for all types of broadband providers, not just ILECs (the “CPUC Fixed Broadband
Map” and “CPUC Mobile Broadband Map”).\textsuperscript{22, 23} The CPUC Fixed Broadband Map data list facilities-based broadband providers separately for each 2020 CB served and each technology type.\textsuperscript{24} For each CB within AT&T service territory, I count the number of providers offering fixed broadband services (which implies that they also have the ability to offer voice service). I count each provider only once per CB, even if that provider offers multiple technologies in a given CB. In my count of providers offering services within each CB, I exclude DSL service provided by AT&T, which relies on the same copper network as POTS. But I count service provided by AT&T using its fiber-optic network, as well as its fixed wireless services,\textsuperscript{25} which represent alternatives to AT&T’s POTS network, meaning they are appropriately included in the analysis of voice alternatives available to customers within AT&T’s service territory, as they would be service options even in the absence of POTS. Notably, while a customer with access to a broadband connection can obtain voice services from many providers, including, for example, multiple VOIP providers (as well as multiple mobile resellers), I conservatively count each connecting network as a single option for obtaining voice service (so, for example, I do not separately count multiple resellers of the same underlying network).

\begin{itemize}
\item \textsuperscript{22} Both fixed broadband service area maps and mobile broadband service area maps are available at \url{https://www.cpuc.ca.gov/industries-and-topics/internet-and-phone/broadband-mapping-program/cpuc-annual-collected-broadband-data}. The data are as of December 31, 2020.
\item \textsuperscript{23} Voice services can be provided over broadband, and broadband providers frequently provide stand-alone voice service as well; “broadband” is simply availability of data service of at least 200 kbps in at least one direction, so for mobile service providers, the “broadband” footprint is essentially just the mobile service footprint. California Broadband Data Processing and Validation, data as of December 31, 2020 (available at \url{https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/communications-division/documents/broadband-mapping/california-broadband-data-processing-and-validation--2021-v22.pdf}.)
\item \textsuperscript{24} The CPUC provides fixed broadband data aggregated to the 2020 CB level. Technology codes follow FCC nomenclature (available at \url{https://www.fcc.gov/general/technology-codes-used-fixed-broadband-deployment-data}).
\item \textsuperscript{25} The fiber-optic network is identified by technology code “50,” and fixed wireless service is identified by technology code “70.”
\end{itemize}
31. The CPUC Mobile Broadband Map data consist of GIS shapefiles showing mobile coverage boundaries of five facilities-based wireless service providers: AT&T Mobility, Sprint, T-Mobile, U.S. Cellular, and Verizon Wireless. I overlay each mobile provider’s coverage map with the 2020 CB boundaries and count how many mobile providers offer services in each CB within AT&T service territory. I define CBs for which the mobile provider covers at least 50 percent of the area of the CB as within the mobile footprint of the given carrier. Consistent with the discussion above, I include AT&T Mobility in my analysis as its services constitute an alternative option available to customers residing within AT&T’s service footprint, which would be available even in the absence of POTS service.

32. Finally, AT&T has provided me addresses and geographic coordinates for all its current POTS customer locations, and I have mapped them to 2020 CBs. As a result, I can quantify the alternatives available in CBs with AT&T POTS lines.

33. The result that comes out of this analysis is clear: Almost 100 percent of existing and potential customers residing within AT&T’s POTS service territory have one or more

26. Throughout this declaration, T-Mobile means combined Sprint and T-Mobile because T-Mobile has acquired Sprint.

27. The FCC uses a 50 percent threshold when aggregating various area characteristics not lining up perfectly with Census maps from smaller CBs to Census Block Groups (CBGs) or Census Block Tracts (CBT). See, e.g., FCC 2018 Broadband Deployment Report (available at https://docs.fcc.gov/public/attachments/FCC-18-10A1.pdf). Nevertheless, because most CBs either overlap with AT&T service territory completely or do not overlap at all, using a higher 90 percent cutoff would produce virtually identical results.

28. POTS_Report_Business_ao12312022_anon.xlsx, POTS_Report_Consumer_ao12312022_anon_v2.xlsx. The geographic coordinates were missing for some customers. I geocoded addresses for those customers.

29. Most likely due to address matching issues, such as issues caused by differences between billing and service addresses for business customers, a small number of customer addresses map into CBs outside of AT&T’s POTS service territory: several hundred residential POTS lines (or 0.08 percent) and several thousand of business POTS lines (or 1.8 percent) have address geocodes outside of the AT&T’s POTS service territory. I exclude these lines from my analyses.
alternative facilities-based options for voice service.\textsuperscript{30} In particular, 99.9 percent of the total population within AT&T’s POTS service territory has at least two alternative options (generally a cable provider and a wireless option), and 99.7 percent of the total has at least three alternative options. (See Table 1.)

34. Similar conclusions hold for actual AT&T POTS customer lines.

- For residential POTS lines, 99.8 percent are located in CBs with at least one alternative voice service option, 99.5 percent have at least two alternative options, and 98.7 percent have at least three alternative options.

- For business POTS lines, 99.9 percent are located in CBs with at least one alternative option, 99.8 percent have at least two alternative options, and 98.6 percent have at least three alternative options.\textsuperscript{31,32}

\textsuperscript{30} Some providers may be counted in the data twice if they have both fixed broadband and mobile wireless coverage. For instance, a provider will count as two alternative providers if it offers both fiber wireline and mobile connections in a given CB. In instances where a CB is covered by fixed wireless and mobile technologies from the same provider, I only count that provider once.

\textsuperscript{31} For a small number of lines (fewer than a thousand) there are alternatives to POTS but they are only available from AT&T and/or AT&T Mobility.

\textsuperscript{32} The data exclude internal business POTS lines, i.e., lines at AT&T-owned business locations.
Table 1: Facilities-Based Fixed and Mobile Broadband Coverage of AT&T California’s POTS Service Territory

<table>
<thead>
<tr>
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<th>Census Blocks</th>
<th>Population</th>
<th>AT&amp;T POTS Residential Customers</th>
<th>AT&amp;T POTS External Business Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>AT&amp;T's POTS Service Territory</td>
<td>353,222</td>
<td>29,603,944</td>
<td>580,631</td>
<td>515,460</td>
</tr>
<tr>
<td>Fixed or Mobile Broadband Carriers Other than AT&amp;T POTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1+</td>
<td>351,081</td>
<td>29,589,107</td>
<td>579,472</td>
<td>515,137</td>
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<tr>
<td></td>
<td>99.4%</td>
<td>99.9%</td>
<td>99.8%</td>
<td>99.9%</td>
</tr>
<tr>
<td>2+</td>
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<td>29,567,874</td>
<td>577,719</td>
<td>514,443</td>
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<td>98.7%</td>
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<tr>
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<tr>
<td></td>
<td>96.7%</td>
<td>99.7%</td>
<td>98.7%</td>
<td>98.6%</td>
</tr>
</tbody>
</table>

Sources: Census maps and population estimates 2020, FCC Study Areas maps, CPUC fixed and mobile broadband maps, AT&T POTS customer data.

35. Figure 2 below illustrates the prevalence of service alternatives on a map. It displays each AT&T POTS line within AT&T’s POTS service territory as a dot, the color of which is determined by how many alternative voice options are available at the location of that line (based on the CB of that location). The great majority of POTS lines are in CBs with multiple alternative voice options as shown by the prevalence of dark green on the map (4+ alternative providers).
Figure 2: AT&T California’s POTS Lines

36. I also analyze voice alternatives available to consumers residing in rural areas, Tribal Lands, low income areas, and areas with a relatively low percentage of Non-Hispanic
White households\textsuperscript{33} within AT&T’s POTS service territory. (See Attachment C.) For the CBs identified as rural by Census,\textsuperscript{34} 99.5 percent of potential customers, as measured by population, 98.7 percent of current residential POTS lines, and 99.3 percent of business POTS lines have at least one voice alternative. For the Tribal Lands CBs,\textsuperscript{35} 99.8 percent of potential customers, as measured by population, and 100 percent of current residential and business POTS lines have at least one voice alternative. I classify areas (CBGs and their corresponding CBs) in the bottom quartile of the (CBG-level) median income as low income.\textsuperscript{36} For the low-income CBs, 99.8 percent of potential customers, as measured by population, 99.4 percent of current residential POTS lines, and 99.8 percent of current business POTS lines have at least one voice alternative. I also analyze voice alternatives available in areas with relatively low proportion of Census-designated Non-Hispanic White households (those in the bottom quartile based on the percentage of Census-designated Non-Hispanic White households (at the CBG level)).\textsuperscript{37} For CBs in this bottom quartile, 99.9 percent of potential customers, as measured by population, 100 percent of current residential POTS lines, and 99.9 percent of current business POTS lines have at least one voice alternative.

\textsuperscript{33}I rely on the definitions of race and ethnic origin used by the Census in its American Community Survey (“ACS”). The ACS definitions are available at https://www2.census.gov/programs-surveys/acs/tech_docs/subject_definitions/2021_ACSSubjectDefinitions.pdf.

\textsuperscript{34}The list of Census designated rural 2020 CBs is available at https://www2.census.gov/geo/tiger/TIGER_RD18/LAYER/TABBLOCK20/.

\textsuperscript{35}Tribal Lands were identified using Census TIGER Tribal Block Group national shapefiles (available at www2.census.gov/geo/pdfs/maps-data/data/tiger/tgrshp2020/TGRSHP2020_TechDoc.pdf). Tribal Land maps were overlayed with the 2020 Census Block boundaries. I classify each CB as being within the Tribal Land if at least 50 percent of the CB’s area is covered by the Tribal Land.


\textsuperscript{37}Census (American Community Survey) estimates of the number of households, in total and by racial and ethnic group, are available at https://data.census.gov/table?q=B11001H&d=ACS+5-Year+Estimates+Detailed+Tables.
37. The voice alternatives available to consumers typically include at least one VOIP offering, most often from a cable company, as well as services from two or more facilities-based mobile providers (thus not counting resellers). In addition, many customers residing within AT&T’s POTS service territory also have access to at least one fiber network, either AT&T’s or a competitor’s (AT&T is the largest provider of fiber broadband within its service territory). More specifically, 95.7 percent of the population resides in CBs (within AT&T service territory) that have at least one cable or fiber wireline or fixed wireless option, and 99.9 percent of the population resides in CBs that have services from at least two facilities-based mobile carriers.

38. As previously mentioned, the counts presented thus far have conservatively omitted mobile resellers. The CPUC includes several such mobile resellers in its list of Eligible Telecommunications Carriers (“ETC”). Although these mobile resellers rely on the same physical infrastructure as the underlying facilities-based carriers, such as AT&T Mobility, Verizon Wireless, or T-Mobile, they provide independent competition for the same customers, meaning they serve as distinct competitive options from a consumer point of view. My analysis is also conservative in that I do not include satellite providers, such as HughesNet or ViaSAT, which provide satellite broadband, including voice service, in nearly all areas. In addition, my

38. As previously discussed, the CPUC Fixed Broadband Map data identify different wireline technologies available in each CB from each provider. I identify cable providers by technology codes “40,” “41,” “42,” or “43,” which indicate different versions of the DOCSIS cable modem standard, and I identify fiber alternatives by technology code “50.” (Available at https://www.fcc.gov/general/technology-codes-used-fixed-broadband-deployment-data).


40. Both HughesNet and ViaSAT offer voice plans for $29.99 a month with lower introductory pricing (https://www.hughesnet.com/get-started/hughesnet-voice and https://www.viasat.com/satellite-internet/additional-services/voice). Another entrant in the provision of satellite broadband, Space Exploration Technologies (SpaceX), allows for WiFi calling and announced a partnership with T-Mobile to allow emergency calling service (https://www.starlinkhardware.com/does-starlink-offer-satellite-phone-service/). FCC describes planned launches of next-generation satellites to both low orbit and geostationary orbit which should offer better quality broadband services (higher speed and
analysis is also conservative in that it does not account for DISH’s entry into provision of mobile services. In fact, as a part of the T-Mobile-Sprint merger, DISH made commitments to “become a new entrant into the wireless industry, offering cutting-edge 5G service to over two-thirds of Americans within four years.”\footnote{41}

### IV. ALTERNATIVE SUPERIOR TECHNOLOGIES ARE GROWING WHILE POTS IS DECLINING

39. POTS is declining because the technology has been surpassed and thus the market has moved on. The economic inefficiencies and competitive distortions from the COLR obligation come about because of the investments required to maintain availability of a legacy network, which has been surpassed technologically (like the horse and buggy), and which fewer and fewer customers actually use. Consumers have overwhelmingly moved to newer and superior technologies, as have all competing voice providers, and a requirement to maintain POTS service under these conditions inefficiently prevents investment dollars from following consumer demand, as would happen in an efficient marketplace.

**A. POTS IS DECLINING AS THE MARKET MOVES TOWARDS NEW TECHNOLOGIES**

40. POTS, once the only voice service available, is rapidly declining. Today most consumers not only do not use POTS, but they also do not even use landlines, preferring instead to use mobile voice service. The market evidence is clear that POTS’ time has come and gone. This fact is commonly recognized and reported on by the FCC among others.\footnote{42}


\footnote{42} FCC 2022 Communications Marketplace Report, FCC 22-103, December 30, 2022, ¶ 172.
41. Figure 3 below demonstrates these trends based on FCC Voice Telephone Services Reports data.\textsuperscript{43} The figure shows that the number of switched access lines (which the FCC defines as “the basis of plain old telephone service (POTS)”), denoted by the blue line, in California has declined by more than 80 percent, from more than 18.7 million in 2008 to less than 3.7 million in 2021. In contrast, VOIP lines in service, denoted by the orange line, increased by about 260 percent, from about 2.2 million in 2008 to more than 8 million in 2021. The number of mobile connections, denoted by the red line, was already greater than the number of switched access lines and VOIP lines combined as of 2008 and has only grown further since then, increasing by another 40 percent from about 32 million to about 45 million.

42. The POTS penetration percentage (meaning POTS lines per household) declined even faster. In 2005, residential POTS penetration in the United States was 96 percent (108.3 million POTS lines divided by 113.3 million households).\textsuperscript{44} In 2020, POTS penetration fell to 11 percent (13.8 million POTS lines divided by 128.5 million households).\textsuperscript{45} This is an enormous decline of 85 percentage points over 15 years. AT&T estimates indicate that the penetration within its service territory in California, i.e., number of residential POTS lines relative to households residing within its service territory, is even lower in 2022 at 6.5 percent.\textsuperscript{46}

\begin{itemize}
\item \textsuperscript{43} Voice Telephone Services: Status as of December 31, 2020 (available at https://www.fcc.gov/voice-telephone-services-report).
\item \textsuperscript{44} POTS lines based on data from FCC Local Telephone Competition: Status as of December 31, 2005 (available at https://docs.fcc.gov/public/attachments/DOC-266595A1.pdf). Residential lines are obtained by multiplying ILEC and CLEC total lines by their respective percentage of residential lines. Household estimates are from Census (available at https://www.census.gov/data/tables/time-series/demo/families/households.html).
\item \textsuperscript{45} POTS lines based on data from FCC Voice Telephone Services: Status as of December 31, 2020 (available at https://docs.fcc.gov/public/attachments/DOC-385812A1.pdf). Household estimates are from Census (available at https://www.census.gov/data/tables/time-series/demo/families/households.html).
\item \textsuperscript{46} AT&T analysis.
\end{itemize}
43. Strikingly, the majority of households do not have landline voice service of any type. For example, the National Health Interview Survey Early Release Program found that as of 2020—two years ago—64.2 percent of California adults were already living in “wireless-only” households, i.e., households without a landline. A further 19 percent of California adults were “wireless mostly” users, i.e., users who have both wireless and landline connections but who answer all or almost all calls on wireless phones. Nationally, the FCC estimates that “[a]pproximately 68.7 percent of adults lived in a wireless-only household in late 2021. In

general, the percentages of wireless-only adults are higher among younger generations, which indicates that the observed trends are likely to accelerate going forward.

44. AT&T’s own data indicate that its POTS lines have been declining in California since at least 2000 (Figure 4 below). AT&T had 18.32 million residential and business POTS lines in 2000. In 2021, that number was 1.97 million, a decline of 89 percent.

Figure 4: AT&T California Switched Access Lines (POTS), 2000 – 2021

Sources: AT&T data.

B. Retirement of POTS Will Not Cause Any Significant Consumer Disruption

45. As discussed above, it is economically inefficient to require a firm to maintain legacy technology that would otherwise have been displaced by market-driven competitive alternatives. And in the present case, the market has spoken: Competition has made alternative services available to the overwhelming majority of the population in California, those services are vastly more popular than POTS, and those technologies are available to the few remaining
POTS subscribers at reasonable prices and with a variety of attractive features. As I discuss in Section V, I understand that AT&T is also committing to protections for existing POTS customers to smooth the transition from the legacy network to the more modern networks.

46. Notably, the high quality alternatives to POTS are available at prices that are comparable to or lower than that for AT&T’s POTS service. Table 2 below, drawn from AT&T’s internal Competitive Intelligence Reports from January 2023, shows prices in California Designated Market Areas (“DMAs”) where AT&T is offering its POTS service. It shows that there are both bundled and non-bundled voice alternatives costing a similar amount or less than the current $34.50 price of AT&T residential POTS service in California. Many of the alternatives also include long distance calling as part of the price, while AT&T’s POTS plan does not, making them that much more affordable than POTS.

49. AT&T collects competitive intelligence data on pricing for alternative voice services for residential customers in the ordinary course of business. See AT&T Competitive Intelligence Reports, January 2023.

50. The table is based on DMAs that cover at least a part of California and have at least one AT&T POTS plan listed in AT&T Competitive Intelligence Reports from January 2023.

51. When multiple plans from a single provider were listed, I selected the lowest-price option. The AT&T Competitive Intelligence Reports from January 2023 list a monthly price of $44 for its POTS, which refers to the price offered in certain areas outside of California. The current residential POTS monthly price is $34.50 in most AT&T California’s exchanges. See AT&T California ILEC Guidebook (available at https://cpr.att.com/pdf/ca/a005.pdf).

52. VOIP services generally require additional equipment, such as a modem, which is not required for POTS. Some providers give customers the option of either providing their own equipment or renting it from the provider. For example, Comcast allows customers to use their own equipment or offers to rent a Xfinity Gateway for $15 a month. Xfinity Gateway provides additional functionality in addition to handling voice traffic—it also serves as a broadband modem and wireless router. See, https://www.xfinity.com/learn/home-phone-services/equipment.
Table 2: Prices of VOIP Services Competing with AT&T POTS

<table>
<thead>
<tr>
<th>Type of VOIP Plan</th>
<th>Provider</th>
<th>Price per Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Bundled</td>
<td>Comcast</td>
<td>$20</td>
</tr>
<tr>
<td></td>
<td>Cox</td>
<td>$20</td>
</tr>
<tr>
<td></td>
<td>Mediacom</td>
<td>$30</td>
</tr>
<tr>
<td></td>
<td>Optimum</td>
<td>$51</td>
</tr>
<tr>
<td>Bundled</td>
<td>AT&amp;T</td>
<td>$35</td>
</tr>
<tr>
<td></td>
<td>Astound Broadband</td>
<td>$36</td>
</tr>
<tr>
<td></td>
<td>Charter</td>
<td>$20</td>
</tr>
<tr>
<td></td>
<td>Fidium Fiber</td>
<td>$15</td>
</tr>
<tr>
<td></td>
<td>Google Fiber</td>
<td>$10</td>
</tr>
<tr>
<td></td>
<td>Mediacom</td>
<td>$20</td>
</tr>
<tr>
<td></td>
<td>Optimum</td>
<td>$15</td>
</tr>
<tr>
<td></td>
<td>Verizon (Fixed Wi-Fi)</td>
<td>$20</td>
</tr>
</tbody>
</table>

Sources: AT&T California ILEC Guidebook (https://cpr.att.com/pdf/ca/a005.pdf); AT&T Competitive Intelligence Reports, January 2023.

Notes:
Shows cheapest VOIP plan; based on DMAs with AT&T POTS plans offered and at least partial California coverage; based on plans with standard monthly charge available in the data.

47. Similarly, major facilities-based mobile providers—AT&T Mobility, Verizon Wireless, T-Mobile, and U.S. Cellular—as well as mobile resellers offer a variety of prepaid and postpaid mobile wireless plans at price points below those for AT&T’s POTS service. Mobile wireless plans also generally include many features not available on POTS, such as bundled data allowances, device discounts, ability to tether other devices by using hotspot features of smartphones, free or discounted video streaming services, and free or discounted cloud storage. Prepaid plans typically have fewer additional features, but even the most basic prepaid plans typically include at least some bundled data service, making them superior to POTS on that

53. AT&T Competitive Intelligence Reports, January 2023.
54. AT&T Competitive Intelligence Reports, January 2023.
dimension. However, because they usually have fewer additional features (including less data, which drives the cost and price of most postpaid mobile wireless plans), prepaid plans are more comparable to POTS, making them the natural basis for comparing mobile pricing to POTS pricing. Following this logic, Table 3 below shows prices of basic prepaid plans offered by several mobile carriers in the United States as of January 2023, including prepaid plans from AT&T Mobility, Verizon Wireless, and T-Mobile, as well as prepaid plans from several resellers. As demonstrated by the table, prepaid plans are readily available from many carriers at price points comparable to POTS service.

Table 3: Prices of Prepaid Mobile Wireless Services Competing with AT&T POTS

<table>
<thead>
<tr>
<th>Data Allowance</th>
<th>AT&amp;T POTS</th>
<th>Metro by T-Mobile</th>
<th>Boost Mobile</th>
<th>Straight Talk</th>
<th>Cricket Wireless</th>
<th>Verizon Prepaid</th>
<th>T-Mobile Prepaid</th>
<th>AT&amp;T Prepaid</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Data</td>
<td>$34.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 - 5GB</td>
<td>$34.5</td>
<td>$30</td>
<td>$8.33 - $15</td>
<td>$30</td>
<td>$30</td>
<td>$10 - $15</td>
<td>$30</td>
<td></td>
</tr>
<tr>
<td>6 - 16 GB</td>
<td>$34.5</td>
<td>$20 - $35</td>
<td></td>
<td>$40</td>
<td>$45</td>
<td>$25 - $40</td>
<td>$25 - $40</td>
<td></td>
</tr>
</tbody>
</table>

Sources: AT&T California ILEC Guidebook (https://cpr.att.com/pdf/ca/a005.pdf); AT&T Competitive Intelligence Reports, January 2023.
Notes:
(*) Some plans include Hotspot;
(**) Some plans based on 3, 6, or 12 Month Bundle.

48. As noted above, when quantifying alternative voice options, I conservatively counted only facilities-based mobile carriers. However, I included resellers in Table 3 above because, from a pricing point of view, omitting resellers is overly conservative: Prepaid plans offered by Metro, Boost, Straight Talk, and Cricket, among others, are viable POTS alternatives available at comparable price points to POTS service. For example, Metro’s plan costs less than AT&T POTS at $30, while also providing the customer 5 Gb data allowance, which is a benefit not available with AT&T’s POTS.
49. Some of AT&T’s POTS customers qualify for a LifeLine discount.\(^5\) However, as I noted above, there are several mobile services resellers designated ETCs in California that are also offering LifeLine services that qualify for the same discount.\(^6\) Some of these mobile services resellers already have more LifeLine customers in California than AT&T, including: Assurance Wireless with more than 392,000 Lifeline customers, TruConnect with more than 171,000 LifeLine customers, and TracFone with about 168,000 LifeLine customers, compared to about 120,000 LifeLine customers served by AT&T.\(^7\)

50. These VOIP and mobile technologies offer high-quality voice service with a range of features not offered with POTS. For example, the distinction between long distance and local calls is effectively eliminated with VOIP and mobile plans.\(^8\) (To clarify, VOIP is a technology and mobile is a mode of delivery of voice services. However, modern mobile plans also rely on a similar packet-switched technology—Voice Over LTE or “VOLTE”—and thus have similar technological advantages.) In addition, VOIP and mobile providers typically include many other standard features such as three-way calling, caller ID, voicemail, and various call and voice mail management tools accessible either via phone or via Internet.\(^9\) This is in part because scaling of networks and integration of new features is more straightforward using modern technologies than using legacy POTS networks.

51. Mobile wireless technology—the voice service used by the vast majority of consumers today—has another obvious advantage over landline voice service: the ability to have


\(^{6}\) The monthly discount is the same for mobile service—it is up to $17.90. See, e.g., [https://www.cpuc.ca.gov/consumer-support/financial-assistance-savings-and-discounts/lifeline/california-lifeline-eligibility](https://www.cpuc.ca.gov/consumer-support/financial-assistance-savings-and-discounts/lifeline/california-lifeline-eligibility).


a phone connection both at home and away from home. This advantage contributed to a substantial growth of mobile lines in service (Figure 3 above) in recent years. And while older mobile wireless technologies such as 2G or 3G suffered from some quality issues, modern mobile voice communications that rely on IP packet-switched networks have largely eliminated the issues that existed with older generations of mobile service.\(^60\) Notably, the VOLTE technology, which relies on IP packet-switching (and has the associated quality benefits), is projected to account for more than 80 percent of all LTE and 5G wireless subscriptions globally in 2023.\(^61\),\(^62\)

C. AT&T IS NOT A DOMINANT PROVIDER OF VOICE SERVICES IN CALIFORNIA

52. As noted above, COLR requirements are vestiges of a time when ILECs were local monopolies in the provision of phone service, and the goal was to make sure such monopolies did not deny service to any consumers, who would have no competitive recourse. Such conditions are far from the current reality in which AT&T is not a dominant provider of either fixed broadband or mobile wireless broadband: AT&T Mobility is one of the three roughly equal-sized nationwide facilities-based mobile wireless providers (along with Verizon Wireless and T-Mobile), and AT&T’s share of broadband subscribers (broadband which can be used for voice service) is far lower than the cable companies with which it competes.


53. The three largest facilities-based wireless providers, AT&T Mobility, Verizon Wireless, and T-Mobile have similar size and scope. Each provider’s network covers the vast majority of population in the United States. And all three have a similar number of subscribers (with some variations depending on the specific time period, which connections are counted, etc.).

54. Table 4 below presents AT&T’s estimates of wireline broadband shares in Q3 2022 in California. Among the providers of wireline broadband, AT&T is substantially smaller than the incumbent cable company in each relevant area. In Southern California, AT&T’s percent share is substantially lower than Spectrum’s percent share. In Northern California, AT&T’s percent share is substantially smaller than Comcast’s percent share.

63. FCC 2022 Communications Marketplace Report, FCC 22-103, December 30, 2022, ¶ 64.

64. For example, AT&T has the highest share of reported total connections while Verizon Wireless has the highest share of prepaid subscribers. FCC 2022 Communications Marketplace Report, FCC 22-103, December 30, 2022, Fig. II.B.3 and ¶ 103.

65. Wireline broadband subscriber shares based on data excluding fixed wireless, the data for which are not available for California.

66. Of course, the relative subscriber shares within AT&T’s service territory may differ from the shares calculated for Northern and Southern California because AT&T’s service territory, as well as footprints of cable companies, do not overlap perfectly.
**Table 4: Wireline Broadband Residential Subscriber Share Estimates, California, Q3 2022**

<table>
<thead>
<tr>
<th>Provider</th>
<th>Subscriber Share</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Southern California</strong></td>
<td><strong>Northern California</strong></td>
</tr>
<tr>
<td>AT&amp;T Total</td>
<td><strong>BEGIN CONFIDENTIAL</strong></td>
</tr>
<tr>
<td>Spectrum</td>
<td><strong>BEGIN CONFIDENTIAL</strong></td>
</tr>
<tr>
<td>Comcast</td>
<td><strong>BEGIN CONFIDENTIAL</strong></td>
</tr>
<tr>
<td>Cox</td>
<td><strong>BEGIN CONFIDENTIAL</strong></td>
</tr>
<tr>
<td>Frontier</td>
<td><strong>BEGIN CONFIDENTIAL</strong></td>
</tr>
<tr>
<td>Altice USA</td>
<td><strong>BEGIN CONFIDENTIAL</strong></td>
</tr>
<tr>
<td>Century Link</td>
<td><strong>BEGIN CONFIDENTIAL</strong></td>
</tr>
<tr>
<td>Other Cable Internet</td>
<td><strong>BEGIN CONFIDENTIAL</strong></td>
</tr>
<tr>
<td>Other DSL</td>
<td><strong>BEGIN CONFIDENTIAL</strong></td>
</tr>
<tr>
<td>Other home Internet service</td>
<td><strong>BEGIN CONFIDENTIAL</strong></td>
</tr>
</tbody>
</table>

Source: AT&T Analysis.
Notes: Other home Internet service includes Other home Internet, Google Fiber, and Satellite. Excludes fixed wireless.

**V. AT&T’S COMMITMENTS WILL PROTECT POTS CUSTOMERS WITH NO ALTERNATIVES AND SMOOTH THE TRANSITION IN AREAS WITH ALTERNATIVE VOICE OPTIONS**

55. The discussion thus far demonstrates that, because of its inefficient distortion of investment and competition, AT&T’s COLR obligation is not only unnecessary in the current competitive environment, but it is also harmful to consumers. As a matter of economics, that implies that the obligation should be lifted even if there could be some short-run service disruptions. But in the present case, I understand that AT&T is doing even more to ensure that such a policy would be beneficial to all consumers, as the few customers without alternative options will be protected by AT&T service commitments.

**A. THERE ARE VERY FEW CUSTOMERS IN AREAS WITH NO VOICE ALTERNATIVES AND THEY WILL RETAIN SERVICE**

56. There are only a handful of customers in California that lack voice alternatives: According to the data described above, there are currently 1,159 residential POTS lines and 323 business POTS lines in CBs without any fixed or mobile voice options. Red dots in Figure 2
above show the locations of these lines. Most of them are located in areas such as the Sierra Nevada mountains or remote coastal areas. Critically, AT&T is not asking for COLR relief in those areas: AT&T stands ready to serve as the carrier of last resort in areas that truly do lack alternatives for voice services.

B. AT&T’s Continued Service Commitment Will Smooth the Transition Period for Current POTS Customers With Additional Voice Options

57. The remaining areas, aside from the very small number described in part A, do have reasonably priced alternatives available to consumers. While some consumers continue to use POTS in those areas with alternatives, the economic goal of COLR was to ensure access to affordable voice service generally—in a setting with a monopoly voice provider—*not* to ensure access to POTS specifically, particularly not in a world that is far from a monopoly, where other services are near-ubiquitous, technologically superior to POTS, and affordably priced. Therefore, mere existence of current POTS customers cannot be used as a justification for COLR if such customers have other reasonably priced and technologically superior options available to them.

58. Nevertheless, I understand that AT&T commits to continue to provide POTS service for those current POTS customers with alternative voice options available for at least six months following the CPUC’s grant of AT&T’s application to remove the COLR obligation. The commitment with respect to existing customers further ensures that removing the COLR obligation will be beneficial to all consumers in California, as it will ease the process of transitioning to the other, superior and affordable options.

VI. CONCLUSIONS

59. The economic justification for COLR no longer exists: Voice service alternatives are near-ubiquitous in California, meaning that consumers have alternatives and the justification for COLR—to ensure access to affordable phone service in the presence of a monopoly—no longer exists. In the extremely rare cases where there are no such alternatives, AT&T is not asking for COLR relief. The alternative voice services are available at reasonable rates and are based on superior technologies. Allowing AT&T to relinquish its COLR obligation with respect to its legacy POTS would eliminate regulatory distortions, allow for efficient re-allocation of
scarce resources, incentivize investment by AT&T’s competitors in order to compete with a more efficient AT&T, and thus enhance competition, benefit consumers, and serve the public interest.

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

Mark A. Israel

2/28/2023
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• Applied econometrics
• Economic and econometric analysis of horizontal and vertical mergers
• Economic and econometric analysis of antitrust litigation topics, including: Class certification, damages, and liability issues in cases involving price fixing, exclusive dealing, monopolization, bundling, price discrimination, and exclusionary practices

INDUSTRIES OF PARTICULAR EXPERTISE AND CASE HIGHLIGHTS

• Particular expertise in industries including: Wireline and wireless telecommunications, media, advertising, sports, airlines, railroads, and other transportation services.
• Additional extensive experience in industries including: Internet, software, and other high technology markets; financial markets; credit cards; insurance markets; healthcare; biotech; distribution services; energy markets; metals; hotels; rental cars, and consumer retail.
• Selected case highlights: CCB v. Rogers/Shaw; NFL Sunday Ticket Antitrust Litigation; DOJ v. Google Search Litigation; DOJ v. AA/JetBlue JV; PGA Tour v. LIV Golf; Viamedia v. Comcast; Capacitors Price Fixing Jury Trial; Rail Fuel Surcharge Litigation; Verizon-Tracfone Hearings; Sprint-T-Mobile Hearings; DOJ v. AT&T/Time Warner; AA-US Airways Merger; Comcast-NBCU Merger; DOJ OneWorld Airline Alliance Investigation.

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LIVE TESTIMONIAL EXPERIENCE

Testimony as Economic Expert on behalf of Rogers Communications Inc. In the Matter of the Competition Act, R.S.C. 1985, c. C-34 as amended; and In the Matter of the proposed acquisition by Rogers Communications Inc. of Shaw Communications Inc.; and In the Matter of an application by the Commissioner of Competition for one or more orders pursuant to section 92 of the Competition Act, Between the Commissioner of Competition and Rogers Communications Inc. and Shaw Communications Inc., the Competition Tribunal, CT-2022-002, Live Trial Testimony: November 30, 2022; December 1, 2022.


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Court Northern District of Illinois Eastern Division, Case No. 16-cv-5486, Deposition: January 5, 2018; October 21, 2022.

Testimony as Economic Expert on behalf of KOA Corporation and KOA Speer Electronics, Inc., In the Matter between Sean Allott and Panasonic Corporation; Panasonic Corporation of North American; Panasonic Canada Inc.; KOA Corporation; KOA Speer Electronics, Inc., et al., In the Ontario Superior Court of Justice, Court File No. 1899-2015 CP, Deposition: August 16, 2022.


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Testimony as Economic Expert on behalf of Cox Automotive, Inc. et al., In the Matter between Cox Automotive, Inc., Autotrader.com, Inc., Dealer Dot Com, Inc., Dealertrack, Inc.;

Testimony as Economic Expert on behalf of the Joint Defense Group, In the Matter between Cygnus Electronics Corporation and Sean Allott and Panasonic Corporation et al., In the Ontario Superior Court of Justice, Court File No. 3795-14 CP, Deposition: September 29, 2021.


Testimony as Economic Expert on behalf of Authentica, Inc., In Re Dealer Management Systems Antitrust Litigation, MDL 2817, United States District Court for the Northern

Testimony as Economic Expert on behalf of Trinity, In the Matter of Jackson County, Missouri, Individually and on behalf of a class of others similarly situated, v. Trinity Industries, Inc., and Trinity Highway Products, LLC, In the Circuit Court of Jackson County, Missouri at Independence, Case No. 1516-CV23684, Stage 1 Testimony: May 24, 2017; Stage 2 Deposition: November 14, 2019.


00414-TSC, Deposition: May 24, 2018; Live Trial Testimony: June 12, 2018; June 13, 2018.

Testimony as Economic Expert on behalf of Joint Sports Claimants, In the Matter of
_Determination of Cable Royalty Funds_, United States Copyright Royalty Judges in the
March 12, 2018.

Testimony as Economic Expert on behalf of Energy Solutions, Inc., In the Matter of the _United
Holdings, Inc., and Waste Control Specialists, LLC_, In the United States District Court
for the District of Delaware, Civil Action No. 16-cv-01056-SLR, Deposition: April 17,

Testimony as Economic Expert on behalf of Facebook, Inc., In the Matter of _Social Ranger, LLC
v. Facebook, Inc._, In the District Court of Delaware, C.A. No. 14-1525-LPS, Deposition:
March 6, 2017.

Testimony as Economic Expert on behalf of Regal Entertainment Group, In the Matter of _iPic –
Gold Class Entertainment, LLC et al., v. Regal Entertainment Group, AMC
Entertainment Holdings, Inc., et al._, In the District Court of Harris County, Texas, 234th
Judicial District, No. 2015-68745, Deposition: January 12, 2016; February 15, 2017; Live
Trial Testimony: January 21, 2016.

Testimony as Economic Expert on behalf of Anthem Inc., In the Matter of the _United States of
America et al. v. Anthem Inc. and Cigna Corp._, In the District Court of the District of
Columbia, No. 16-cv-01493 (ABJ), Deposition: November 9, 2016; Phase 1 Live Trial
Testimony: December 1, 2016; December 2, 2016; Phase 2 Live Trial Testimony:
December 22, 2016.

Testimony as Economic Expert on behalf of Defendants, In the Matter of _Darren Ewert v.
Nippon Yusen Kabushiki Kaisha et al._, Supreme Court of British Columbia, No. S-
134895, Deposition: September 14, 2016.

Testimony in Commercial Arbitration on Issues Related to Mobile Wireless Competition, New
York, NY, April 12, 2016.
Testimony as Economic Expert on behalf of Federal Trade Commission, In the Matter of

*Federal Trade Commission et al. v. Sysco Corporation and USF Holding Corp.*, Civil
Action No. 15-cv-00256 (APM), Deposition: April 28, 2015; Live Trial Testimony: May
7, 2015; May 8, 2015; May 14, 2015.

Appearances in Federal Communications Commission, Economists Panels:

- Comcast/Time Warner, January 2015
- AT&T/T-Mobile, July 2011
- Comcast/NBCUniversal, August 2010

Appearance before California Public Utility Commission, Public Hearings on Comcast/Time
Warner Merger, Los Angeles, April 2015.

Appearance as Economic Expert in front of Department of Justice, Federal Trade Commission,
Federal Communications Commission, and State Regulatory Agencies in many additional
transactions, including: Danaher/NetScout, AT&T/Leap Wireless, T-Mobile/MetroPCS,
American Airlines/US Airways, SpectrumCo/Cox/Verizon Wireless, oneworld antitrust
immunity application, PepsiCo/bottlers, Houghton Mifflin/Harcourt, Chicago Mercantile
Exchange/Chicago Board of Trade.

**EXPERT REPORTS, AFFIDAVITS, AND DECLARATIONS**

Litigation*, In the United States District Court Central District of California, Case No. ML
15-02668-PSG (JEMx), November 4, 2022.

and In the Matter of the proposed acquisition by Rogers Communications Inc. of Shaw
Communications Inc.; and In the Matter of an application by the Commissioner of
Competition for one or more orders pursuant to section 92 of the *Competition Act*,
Between Commissioner of Competition and Rogers Communications Inc. and Shaw
Communications Inc. and the Attorney General of Alberta and Videotron Ltd., the
Competition Tribunal, CT-2022-002, Initial Report: September 23, 2022; Reply Report:
October 20, 2022.
Expert Report of Mark A. Israel, Ph.D., In the Matter of City of Rockford, on behalf of itself and all others similarly situated v. Mallinckrodt ARD, Inc. formerly known as Questcor Pharmaceuticals, Inc., et al., In the United States District Court for the Northern District of Illinois Western Division, Case No. 3:17-cv-50107, October 17, 2022.


Expert Declaration of Mark Israel, In the Matter of Phil Mickelson, Taylor Gooch, Hudson Swafford, et al. v. PGA Tour, Inc., In the United States District Court for the Northern District of California San Jose Division, Civil Action No. 5:22-cv-04486-BLF, August 7, 2022.


Submission of Philip Haile and Mark Israel, “Alternative Approaches to Airport Slot Allocation: Objectives and Challenges,” Department for Transport, United Kingdom, June 20, 2019.


Second Report of Dr. Mark A. Israel, Between UK Trucks Claim Limited and (1) – (5) Fiat Chrysler Automobiles NV and (1) – (4) MAN Truck & Bus AG & ORS, In the Competition Appeal Tribunal, Case No. 1282/7/7/18, April 11, 2019.


Expert Report of Dr. Mark A. Israel, Between Road Haulage Association and (1) – (10) MAN SE and Others and (1) Daimler AG, (2) Volvo Lastvagnar Aktiebolag, In the Competition Appeal Tribunal, Case No. 1289/7/7/18, March 22, 2019.


Declaration of Mark A. Israel, In the Matter between Robert Foster and Murray Davenport and Sears Canada Inc. et al., In the Ontario Superior Court of Justice, Court File No. 766-2010 CP, November 1, 2017.


Expert Report of Mark A. Israel, In the Matter between Darren Ewert and DENSO Corporation et al., In the Supreme Court of British Columbia, Vancouver Registry, No. S-135610, November 15, 2016.


Declaration of Dr. Mark Israel, In the Matter of iPic – Gold Class Entertainment, LLC et al., v. Regal Entertainment Group, AMC Entertainment Holdings, Inc., et al., In the District Court of Harris County, Texas, 234th Judicial District, No. 2015-68745, January 18, 2016.


SELECTED OTHER EXPERT WORK IN REVIEW OF MERGERS/TRANSACTIONS

Successful merger of Sony’s Crunchyroll and AT&T’s Funimation anime streaming platforms. 2021. Served as lead economic expert for AT&T. Made multiple presentations to DOJ, demonstrating lack of significant competitive interaction between the parties, including extremely limited consumer switching between them, as well as extensive competition with a broader marketplace including Netflix, Amazon, and others. DOJ closed the investigation allowing the merger to proceed with no conditions.

Successful acquisition of Innovative Industries, Inc. by Ex Libris. 2020. Served as lead economist in interactions with FTC. Demonstrated that the acquisition would not harm competition due to the de minimis extent of head-to-head competition between Ex Libris and Innovative and the recent decline of Innovative’s business. FTC closed investigation allowing acquisition to proceed with no conditions.

Successful acquisition of TD Ameritrade by Charles Schwab. 2020. Served as lead economist in interactions with DOJ. Presented analyses demonstrating broad market for investor dollars rather than narrow market for RIA Custodian Services. DOJ closed investigation allowing acquisition to proceed with no conditions.

Successful acquisition of Reinhart Foodservice by Performance Food Group Company. 2019. Served as lead economics expert on behalf of the parties in the FTC’s investigation of the merger. Presented detailed data analyses showing ample competition and lack of harm to competition in any geographic market. FTC closed the investigation with no divestitures required in late 2019.

Successful acquisition of SGA’s Food Group of companies by US Foods. 2019. Served as lead economic expert on behalf of the parties in the FTC’s investigation of the merger. Presented detailed economics and econometric analyses showing ample competition and
lack of harm to competition in any geographic market. FTC cleared the merger subject to divestitures in three geographic markets in the Fall of 2019.

*Successful acquisition of Time Warner by AT&T Inc.* 2017-2019. Lead economist throughout the DOJ investigation. Then director of all economic work during trial, serving as the central connection point between all experts and counsel and directing development of all aspects of the economic case. Defendants ultimately prevailed in trial and the merger closed in June 2018.


*Successful acquisition of NEX Group PLC by CME Group Inc.* 2018. Co-lead economic expert with Thomas Stemwedel. Presented several econometric analyses demonstrating that Treasury futures contracts and cash Treasury securities were economic complements rather than substitutes. Based heavily on these Compass Lexecon submissions, the DOJ and CMA closed their investigations without requiring any divestitures.

*Successful acquisition of VCA Inc. by Mars, Inc.* 2017. Co-lead economic expert with Mary Coleman. Made multiple presentations to FTC demonstrating ample competition in general, emergency, and specialty veterinary services, including econometric analyses showing lack of direct competitive impact of Mars and VCA on one another. Transaction was ultimately cleared subject to a small number of divestitures.

*Successful acquisition of Mobileye by Intel.* 2017. Served as lead economic expert for Intel. Assisted counsel in preparing FTC presentations and materials demonstrating lack of significant head-to-head competition and lack of valid vertical foreclosure theories. Investigation was closed without Second Request.

*FTC litigation against DraftKings, Inc. and FanDuel Inc.* (Civil Action No. 17-cv-1195 (KBJ)). 2017. Served as lead economic expert for FTC and prepared to serve as FTC’s testifying expert against the merger, prior to the parties’ abandonment of the proposed merger. Developed economic and econometric evidence that the merging parties were closest
substitutes and thus likely would have increased prices as a result of their proposed merger.

**Successful merger of ASE Group and SPIL.** 2017. Lead economic expert on behalf of ASE Group. Submitted reports and testified to the Taiwan Fair Trade Commission, which ultimately cleared the transaction, then made multiple presentations to U.S. FTC, which also cleared the transaction. Economic analyses focused on implications of profit margins for market definition and competitive effects, ultimately demonstrating that the transaction was unlikely to cause significant harm to competition.

**Successful acquisition of Alarm.com of two business units (Connect and Piper) from iControl Networks.** 2017. Led team that demonstrated substantial and growing competition in home security and connected home marketplace and thus lack of competitive harm from acquisition. Work focused on importance of downstream market definition as well as empirical evidence of impact of competition on Alarm.com pricing and profitability.

**Successful acquisition of Samsung Electronics, Ltd.'s printer business by HP Inc.** 2016. Led team in evaluating the competitive effects of the acquisition, including assessing shares and competitive effects in overlap areas. Notably, the transaction gained regulatory approval in the U.S. during the initial review period without issuing a Second Request.

**Successful acquisition of Sun Products Corp. by Henkel AG.** 2016. Led team demonstrating lack of competitive impact despite overlaps in laundry detergent and related products.

**Successful acquisition of Starwood Hotels & Resorts by Marriott International.** 2016. Led team that performed detailed analysis of competitive conditions, extensive econometric analysis of pricing, and full review of Marriott’s internal pricing models to demonstrate that Starwood and Marriott were not close competitors, combined ownership of the brands would not lead to upward pricing pressure, and competition would remain robust post-merger.

**Successful acquisition of PR Newswire by GTCR.** 2016. Lead economic expert for GTCR. Made presentations to DOJ showing lack of competitive harm from the transaction, based on detailed analysis of win/loss data, including calculations showing no possible upward pricing pressure (UPP) concerns regardless of the level of margins.
Successful acquisition of Schurz Communications’ Broadcast Stations by Gray Television. 2015. Lead economic expert for Gray. Made presentations to DOJ demonstrating output expanding effects of proposed transaction in light of the scale economies in television production and advertising and the small size of the DMAs affected by the transaction.

Successful acquisition of the Communications Business of Danaher Corporation by NetScout Systems. 2015. Lead economic expert for NetScout. Made presentations to DOJ describing proper economic framework for analysis of competition and potential merger harms, and demonstrated that the presence of multiple viable competitors and numerous other credible threats to be used by powerful buyers in a dynamic industry made theories of anti-competitive harm from the merger implausible.

Successful acquisition of Windmill Distribution Co. by Manhattan Beer Distributors. 2015. Lead economic expert for Manhattan Beer Distributors. Submitted White Paper to DOJ demonstrating, based on margin data, that the merger would be highly unlikely to lead to anti-competitive effects. Transaction was granted early termination from the Hart Scott Rodino process by the DOJ.

Proposed acquisition of Time Warner Cable by Comcast Corporation. 2014-2015. Served as lead economic expert on broadband issues on behalf of Comcast Corporation. Submitted multiple Declarations and made multiple presentations to DOJ and FCC, explaining lack of horizontal, bargaining, or vertical/foreclosure concerns with regard to broadband competition as a result of the transaction.

Successful acquisition of Leap Wireless by AT&T. 2014. Lead economic expert for AT&T. Submitted multiple Declarations to FCC and made presentation to DOJ, demonstrating the transaction would generate substantial consumer benefits, while generating at most minimal upward pricing pressure in a properly defined mobile wireless services market and no issues related to spectrum concentration or other competitive concerns.

Successful merger of American Airline and US Airways. 2013. Lead consulting expert, managing Compass Lexecon team of over 25 economists supporting multiple experts. Made multiple presentations to DOJ, worked on expert reports in litigation, and assisted counsel with the analysis leading to settlement of litigation, permitting transaction to close.
Successful merger of T-Mobile USA and MetroPCS. 2013. Lead economic expert for T-Mobile USA. Conducted economic analyses of competitive effects of the transaction, as well as consumer benefits from reduced costs and increased network quality. Presented analyses to both DOJ and FCC.

*FTC investigation of acquisition of Dollar Thrifty Automotive Group by Hertz.* 2012. Served as a lead economic expert for FTC and prepared to serve as FTC’s testifying expert against the merger, prior to case settlement. Conducted empirical analyses based on previous rental car mergers demonstrating likely price increases from the transaction.

Decision by Federal Communications Commission not to extend the ban on exclusive contracts for satellite-delivered, cable-affiliated networks. 2012. Lead economic expert for National Cable and Telecommunications Association. Submitted economic analysis demonstrating that the ban on exclusive distribution of satellite-delivered, cable affiliated networks is no longer warranted given increased marketplace competition. FCC made decision to allow the ban to sunset.

Successful sale of wireless spectrum by SpectrumCo and Cox (“Cable Companies”) to Verizon Wireless and successful completion of related commercial agreements. 2012. On behalf of the Cable Companies, performed economic analyses demonstrating lack of competitive harm from the transaction on markets for backhaul and Wi-Fi services. Presented analyses to FCC.

Successful acquisition by LIN Media of broadcast television stations from NVTV. 2012. Lead economic expert for LIN Media. Prepared economic analysis demonstrating lack of competitive concern over potential issues related to Shared Service and Joint Sale Arrangements.

Proposed acquisition of T-Mobile USA by AT&T. 2011. Served as one of the lead economists, initially for T-Mobile (along with Michael Katz) and ultimately for both parties (along with Michael Katz and Dennis Carlton). Made multiple presentations to DOJ and FCC. Appeared in FCC Workshop, ex parte meeting.

Successful application for antitrust immunity by Delta and Virgin Blue. 2010. Together with Robert Willig, Bryan Keating, and Jon Orszag, prepared economic analyses
demonstrating substantial net consumer benefits from antitrust immunity. Submitted results in expert reports to Department of Transportation.

*Successful joint venture between Comcast and NBC Universal (and ultimate full acquisition of NBC Universal by Comcast).* 2010. Served as one of the lead economists (along with Michael Katz) on behalf of the merging parties. Wrote multiple reports submitted to FCC (with Michael Katz) demonstrating lack of significant competitive concerns from the transaction. Made multiple presentations to DOJ and FCC. Appeared in FCC Workshop of economists, ex parte meeting.


*Successful acquisition by PepsiCo of bottlers, PBG and PAS.* 2009. Performed econometric and simulation analyses demonstrating pro-competitive effect of merger on PepsiCo’s own brands, other brands distributed by PBG and PAS, and overall marketplace. Presented results to FTC (together with Dennis Carlton).

*Successful merger of Delta Airlines and Northwest Airlines.* 2008. In support of Dennis Carlton, developed empirical and theoretical analyses to demonstrate merger’s pro-competitive nature. Work focused on (ultimately settled) private litigation opposing the merger.

*Successful acquisition of Harcourt Education by Houghton Mifflin.* 2007. Along with Daniel Rubinfeld and Frederick Flyer, developed econometric analyses demonstrating lack of competitive harm from proposed merger. Presented results to DOJ.

*Successful acquisition of Chicago Board of Trade by Chicago Mercantile Exchange.* 2007. Along with Robert Willig and Hal Sider, developed and presented multiple empirical analyses demonstrating lack of competitive harm from merger. Submitted multiple white papers and made multiple presentations to DOJ.
SELECTED OTHER EXPERT/CONSULTING WORK


As economic expert for US Airways, developed econometric analysis of air traffic at major US airports, presented to Philadelphia Airport management team, 2011.


ON BEHALF OF MAJOR PHARMACEUTICAL FIRM, DEVELOPED ECONOMETRIC MODEL TO FORECAST PHARMACEUTICAL EXPENDITURES, 2009.

Developed econometric model to measure of the importance of network effects in credit cards in the context of measuring damages incurred by a major credit card issuer, 2007-2008.

OTHER CONFIDENTIAL CONSULTING WORK IN THE FOLLOWING INDUSTRIES

Automobiles and Components
Consumer Durables
Consumer Services
Financial Services
Energy
Food, Beverage, and Tobacco
Healthcare Equipment and Services
Media
Pharmaceuticals, Biotechnology, and Life Sciences
Retail
Semiconductors and Semiconductor Equipment

Software and Related Services

Technology: Hardware and Equipment

Telecommunication Services

Transportation

Utilities

PUBLICATIONS


**SELECTED RECENT PRESENTATIONS**


American Bar Association Section of Antitrust Law, “Merger Practice Workshop,” Faculty Member, October 2015.


American Bar Association Section of Antitrust Law, “Airline Mergers: First Class Results or Middle-Seat Misery?” Panelist, May 2013.

American Bar Association Section of Antitrust Law, “Go Low or Go Home! Monopsony a Problem?” Panelist, March 2012.


**GRANTS AND HONORS**


Kellogg School of Management Chairs’ Core Course Teaching Award, 2003 & 2005.


Stanford University, Outstanding Second Year Paper Prize, 1997.

**ADVISORY, EDITORIAL, AND TRUSTEE BOARDS**

Global Competition Review, Editorial Board, Member

Holton-Arms School, Board of Trustees, Trustee

Illinois Wesleyan University, Board of Trustees, Trustee
ATTACHMENT B: MATERIALS RELIED UPON
Academic Literature & Texts

Almeida, Fernando, and José Cruz, "Mitigation of Security Concerns of VoIP in the Corporate Environment." In Organizational, Legal, and Technological Dimensions of Information System Administration, edited by Portela, Irene Maria, and Fernando Almeida, IGI Global, 2014


Data


Census 2020 population estimates (https://www2.census.gov/geo/tiger/TIGER2020/TABBLOCK20/)

Census TIGER Tribal Block Group national shapefiles (www2.census.gov/geo/pdfs/maps-data/data/tiger/tgrshp2020/TGRSHP2020_TechDoc.pdf)

Census Data on Rural Census Blocks (https://www2.census.gov/geo/tiger/TIGER_RD18/LAYER/TABBLOCK20/)

AT&T POTS business data (POTS_Report_Consumer_ao12312022_anon_v2.xlsx)

AT&T POTS customer data (POTS_Report_Business_ao12312022_anon.xlsx)

AT&T Competitive Intelligence Reports, January 2023

AT&T California ILEC Guidebook (https://cpr.att.com/pdf/ca/a005.pdf)

AT&T Data on Switched Access Lines

Census data on the Number of Households (https://www.census.gov/data/tables/time-series/demo/families/households.html)

Census American Community Survey Data in Household Income

Census ACS definitions (https://www2.census.gov/programs-surveys/acs/tech_docs/subject_definitions/2021_ACSSubjectDefinitions.pdf)

**FCC Reports and Information**

FCC 2022 Communications Marketplace Report, FCC 22-103, December 30, 2022


FCC Local Telephone Competition Status as of December 31, 2005

FCC Voice Telephone Services: Status as of December 31, 2020

FCC Technology Codes (https://www.fcc.gov/general/technology-codes-used-fixed-broadband-deployment-data)

**CPUC Reports and Information**


COLR definition in CPUC General Order 133-D (https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpuc_public_website/content/proceedings/proceedings_rules/go133d.pdf)


2022 California Renewables Portfolio Standard, Annual Report, November 2022

**Interviews with AT&T Personnel**

Interview with Joe Taylor, Shannon Carroll, and Isabella Szutkowski.

Interview with James Lacy and Will Schutts

**News Articles, Press Releases & Industry Reports**

Andersen, Dave, “UK operators continue to improve the end-user mobile call experience,” 24 May 2022 (https://rootmetrics.com/en-GB/content/UK-mobile-call-trends-2022)


Gibbs, Colin, “T-Mobile sees more than 300M VoLTE calls a day, ‘well over half’ of all calls,” Fierce Wireless, April 6, 2016 (https://www.fiercewireless.com/wireless/t-mobile-sees-more-than-300m-volte-calls-a-day-well-over-half-all-calls)


Lichtenberg, Sherry, “Carrier of Last Resort: Anachronism or Necessity?” National Regulatory Research Institute, Report No. 16-06, July 2016 (https://pubs.naruc.org/pub/FA85B978-00A3-862C-5E8D-9E10816FA7DB)

National Health Interview Survey Early Release Program, 2020, released 12/2022


**Websites**


https://www.geeksforgeeks.org/difference-between-voip-and-and-pots/

https://www.hughesnet.com/get-started/hughesnet-voice

https://www.viasat.com/satellite-internet/additional-services/voip/

https://www.starlinkhardware.com/does-starlink-offer-satellite-phone-service/

https://www.xfinity.com/learn/home-phone-services/equipment

https://about.att.com/csr/home/environment.html
ATTACHMENT C: SUMMARIES OF FACILITIES-BASED FIXED AND MOBILE COVERAGE OF AT&T CALIFORNIA’S SERVICE TERRITORY: RURAL AREAS, TRIBAL LANDS, LOW INCOME, AND LOW PERCENTAGE OF NON-HISPANIC WHITE HOUSEHOLDS
### Table 5: Facilities-Based Fixed and Mobile Broadband Coverage of AT&T California’s POTS Service Territory (Rural Areas)

<table>
<thead>
<tr>
<th></th>
<th>Census Blocks</th>
<th>Population</th>
<th>AT&amp;T POTS Residential Customers</th>
<th>AT&amp;T POTS External Business Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AT&amp;T’s POTS Service Territory</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>80,974</td>
<td>1,567,200</td>
<td>89,789</td>
<td>40,466</td>
</tr>
<tr>
<td><strong>Fixed or Mobile Broadband Carriers Other than AT&amp;T POTS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1+</td>
<td>78,945</td>
<td>1,558,598</td>
<td>88,632</td>
<td>40,176</td>
</tr>
<tr>
<td></td>
<td>97.5%</td>
<td>99.5%</td>
<td>98.7%</td>
<td>99.3%</td>
</tr>
<tr>
<td>2+</td>
<td>76,676</td>
<td>1,537,468</td>
<td>86,882</td>
<td>39,505</td>
</tr>
<tr>
<td></td>
<td>94.7%</td>
<td>98.1%</td>
<td>96.8%</td>
<td>97.6%</td>
</tr>
<tr>
<td>3+</td>
<td>71,407</td>
<td>1,508,479</td>
<td>82,574</td>
<td>37,886</td>
</tr>
<tr>
<td></td>
<td>88.2%</td>
<td>96.3%</td>
<td>92.0%</td>
<td>93.6%</td>
</tr>
</tbody>
</table>

Sources: Census maps and population estimates 2020, FCC Study Areas maps, CPUC fixed and mobile broadband maps, AT&T POTS customer data.
Table 6: Facilities-Based Fixed and Mobile Broadband Coverage of AT&T California’s POTS Service Territory (Tribal Lands)

<table>
<thead>
<tr>
<th>AT&amp;T’s POTS Service Territory</th>
<th>Census Blocks</th>
<th>Population</th>
<th>AT&amp;T POTS Residential Customers</th>
<th>AT&amp;T POTS External Business Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>AT&amp;T's POTS Service Territory</td>
<td>653</td>
<td>12,535</td>
<td>281</td>
<td>651</td>
</tr>
</tbody>
</table>

Fixed or Mobile Broadband Carriers Other than AT&T POTS

<table>
<thead>
<tr>
<th></th>
<th>Census Blocks</th>
<th>Population</th>
<th>AT&amp;T POTS Residential Customers</th>
<th>AT&amp;T POTS External Business Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1+</td>
<td>645</td>
<td>12,506</td>
<td>281</td>
<td>651</td>
</tr>
<tr>
<td></td>
<td>98.8%</td>
<td>99.8%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>2+</td>
<td>633</td>
<td>12,475</td>
<td>281</td>
<td>651</td>
</tr>
<tr>
<td></td>
<td>96.9%</td>
<td>99.5%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>3+</td>
<td>574</td>
<td>10,878</td>
<td>213</td>
<td>636</td>
</tr>
<tr>
<td></td>
<td>87.9%</td>
<td>86.8%</td>
<td>75.8%</td>
<td>97.7%</td>
</tr>
</tbody>
</table>

Sources: Census maps and population estimates 2020, FCC Study Areas maps, CPUC fixed and mobile broadband maps, AT&T POTS customer data, Tribal Lands maps.
Table 7: Facilities-Based Fixed and Mobile Broadband Coverage of AT&T California’s POTS Service Territory (Areas in the Bottom Quartile of Median Income)

<table>
<thead>
<tr>
<th></th>
<th>Census Blocks</th>
<th>Population</th>
<th>AT&amp;T POTS Residential Customers</th>
<th>AT&amp;T POTS External Business Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>AT&amp;T's POTS Service Territory</td>
<td>88,449</td>
<td>6,725,338</td>
<td>110,467</td>
<td>142,478</td>
</tr>
</tbody>
</table>

Fixed or Mobile Broadband Carriers Other than AT&T POTS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th>AT&amp;T POTS Residential Customers</th>
<th>AT&amp;T POTS External Business Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1+</td>
<td>87,497</td>
<td>6,712,622</td>
<td>109,859</td>
<td>142,249</td>
</tr>
<tr>
<td></td>
<td>98.9%</td>
<td>99.8%</td>
<td>99.4%</td>
<td>99.8%</td>
</tr>
<tr>
<td>2+</td>
<td>86,408</td>
<td>6,695,347</td>
<td>108,859</td>
<td>141,857</td>
</tr>
<tr>
<td></td>
<td>97.7%</td>
<td>99.6%</td>
<td>98.5%</td>
<td>99.6%</td>
</tr>
<tr>
<td>3+</td>
<td>83,376</td>
<td>6,659,621</td>
<td>106,928</td>
<td>139,465</td>
</tr>
<tr>
<td></td>
<td>94.3%</td>
<td>99.0%</td>
<td>96.8%</td>
<td>97.9%</td>
</tr>
</tbody>
</table>

Sources: Census maps and population estimates 2020, FCC Study Areas maps, CPUC fixed and mobile broadband maps, AT&T POTS customer data, American Community Survey.
Table 8: Facilities-Based Fixed and Mobile Broadband Coverage of AT&T California’s POTS Service Territory (Areas in the Bottom Quartile of Percentage Non-Hispanic White Households)

<table>
<thead>
<tr>
<th>AT&amp;T's POTS Service Territory</th>
<th>Census Blocks</th>
<th>Population</th>
<th>AT&amp;T POTS Residential Customers</th>
<th>AT&amp;T POTS External Business Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>88,315</td>
<td>10,124,196</td>
<td>125,893</td>
<td>146,738</td>
</tr>
</tbody>
</table>

Fixed or Mobile Broadband Carriers Other than AT&T POTS

<table>
<thead>
<tr>
<th></th>
<th>Census Blocks</th>
<th>Population</th>
<th>AT&amp;T POTS Residential Customers</th>
<th>AT&amp;T POTS External Business Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1+</td>
<td>88,166</td>
<td>10,112,826</td>
<td>125,893</td>
<td>146,605</td>
</tr>
<tr>
<td></td>
<td>99.8%</td>
<td>99.9%</td>
<td>100.0%</td>
<td>99.9%</td>
</tr>
<tr>
<td>2+</td>
<td>88,107</td>
<td>10,098,841</td>
<td>125,892</td>
<td>146,496</td>
</tr>
<tr>
<td></td>
<td>99.8%</td>
<td>99.7%</td>
<td>100.0%</td>
<td>99.8%</td>
</tr>
<tr>
<td>3+</td>
<td>86,905</td>
<td>10,075,766</td>
<td>125,800</td>
<td>144,992</td>
</tr>
<tr>
<td></td>
<td>98.4%</td>
<td>99.5%</td>
<td>99.9%</td>
<td>98.8%</td>
</tr>
</tbody>
</table>

Sources: Census maps and population estimates 2020, FCC Study Areas maps, CPUC fixed and mobile broadband maps, AT&T POTS customer data, American Community Survey.
ATTACHMENT B
COLR RELIEF IN AT&T’S OTHER ILEC STATES

Alabama: Ala. Code § 37-2A-8 (relieving incumbent local exchange carriers of their “obligation to provide basic telephone service unless the incumbent local exchange carrier elects to retain the obligation and notifies the Public Service Commission”)

Arkansas: 1997 Ark. Acts 77 (establishing telecommunications providers’ state obligations, which do not include COLR requirements)

Florida: Fla. Stat. § 364.011 (exempting basic service from the oversight of the Florida Public Service Commission)

Georgia: Ga. Code Ann. §§ 46-5-1, 46-5-165, 46-5-169 (allowing telecommunications companies not receiving universal access funds to elect alternative regulation in order to discontinue basic service, including COLR obligation, upon notice to state commission)

Illinois: 220 Ill. Comp. Stat. 5/13-406(b), 13-406.1 (permitting certain telecommunications providers to discontinue basic service, including COLR obligation, after notifying state commission and customers)

Indiana: Ind. Code § 8-1-32.4-17 (permitting ILECs to withdraw as providers of last resort upon notice to state commission)


Michigan: Mich. Comp. Laws § 484.2313 (permitting telecommunications providers to discontinue basic service, including COLR obligation, after notice to state commission, customers, and the public)

Mississippi: Miss. Code. Ann. § 77-3-35 (deregulating telecommunications providers’ retail services)

Missouri: Mo. Rev. Stat. § 392.611 (deregulating retail telecommunications services provided to end-user customers)

Nevada: *Application of Nev. Bell Tel. Co. d/b/a AT&T Nev. & AT&T Wholesale for Relief from Designation as a Provider of Last Resort in Portions of Nev. Pursuant to NRS 704.68886*, Docket No. 16-03021, Order, 2016 Nev. PUC LEXIS 144 (2016) (approving application for relief from designation as a provider of last resort except in limited portions of its service territory)


Oklahoma: Okla. Admin. Code § 165:55-13-12 (designating as COLRs only ILECs “serving fewer than seventy-five thousand access lines”)

South Carolina: S.C. Code Ann. § 58-9-576 (authorizing local exchange companies to elect alternative regulation without COLR obligation upon notice to state commission and customers)


Wisconsin: Wis. Stat. § 196.503 (sunsetting provider of last resort obligations in the state in 2013)