



FOCUS: Broadband Pricing Trends for California's Small Local Exchange Carriers, 2024 Report

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Executive Summary

This focus paper presents the analyses conducted by the Public Advocates Office at the California Public Utilities Commission (commonly referred to as Cal Advocates in proceedings) on broadband pricing trends across Small Local Exchange Carriers (Small LECs) in California and the implications of broadband pricing on achieving universal access to broadband in Small LEC service territories. In 2019, the Public Advocates Office began issuing annual broadband data requests (Annual Broadband Pricing Data Requests) to communications companies that provide broadband services in California. These data requests seek information on pricing, penetration, and other terms and conditions of broadband service. The analyses in this focus paper rely on data from responses to our Annual Broadband Pricing Data Requests. The Public Advocates Office’s analysis of these responses resulted in three major findings related to broadband prices charged as of January 31, 2023:

- Small LECs charge some of the highest prices in the state for broadband service, even though most of them receive state high-cost subsidies.
- Broadband pricing trends among the Small LECs can vary widely throughout the state. On average, Small LECs that receive California high-cost subsidies (here, the California High-Cost Fund A, or CHCF-A) charge higher prices than those that do not receive CHCF-A subsidies, including for broadband services that offer the same speeds. Thus, subsidies alone may not consistently serve the intended benefit of lowering broadband plan prices for customers.
- There was a stark variation in price that was dependent on whether broadband was “bundled” with other services, such as voice. Some Small LECs charge more for standalone broadband service than they do for broadband service sold with a voice service.

Introduction

In the 2021 *Infrastructure Investment and Jobs Act*, Congress noted that “[a]ccess to affordable, reliable, high-speed broadband is essential to full participation in modern life in the United States.”¹ Demand for broadband services has only increased since the COVID-19 pandemic.² The Public Advocates Office at the California Public Utilities Commission (commonly referred to as Cal Advocates) recently published [*Broadband Pricing Trends in California, 2024 Report: Implications of broadband pricing in achieving universal access to fixed broadband*](#), which examines broadband pricing data for plans available from June 2022 through January 31, 2023.³ This paper accompanies *Broadband Pricing Trends in California*, and provides focused data on broadband prices charged by California’s Small Local Exchange Carriers (Small LECs), a subset of the providers analyzed in *Broadband Pricing Trends in California*.

The Small LECs are 13 independent, rural, local exchange telephone companies operating in California (Figure 1). Due to the remoteness and dispersed nature of the populations that the Small LECs serve, Small LECs may receive state or federal subsidies to help cover the reasonable costs to serve customers and keep rates affordable, including costs related to broadband deployment. Yet, their broadband prices may be unaffordable for customers, which makes that service inaccessible.⁴

The California High-Cost Fund-A (CHCF-A) is a subsidy established by state statute to ensure that rural telephone customers’ telephone rates are just, reasonable, and reasonably comparable to rates paid by urban telephone customers.⁵ Administration of the CHCF-A is intended to “[p]romote customer access to advanced services and deployment of broadband-capable facilities in rural areas that is reasonably comparable to that in urban areas, consistent with national communications policy.”⁶

Figure 1: Small LECs in California

Company name	Receives Subsidies from the CHCF-A program
Calaveras Telephone Company	Yes
California-Oregon Telephone Company	Yes
Ducor Telephone Company	Yes
Foresthill Telephone Company	Yes
Kerman Telephone Company	Yes
Pinnacles Telephone Company	Yes
The Ponderosa Telephone Company	Yes
Sierra Telephone Company	Yes
Siskiyou Telephone Company	Yes
Volcano Telephone Company	Yes
Happy Valley Telephone Company	No
Hornitos Telephone Company	No
Winterhaven Telephone Company	No

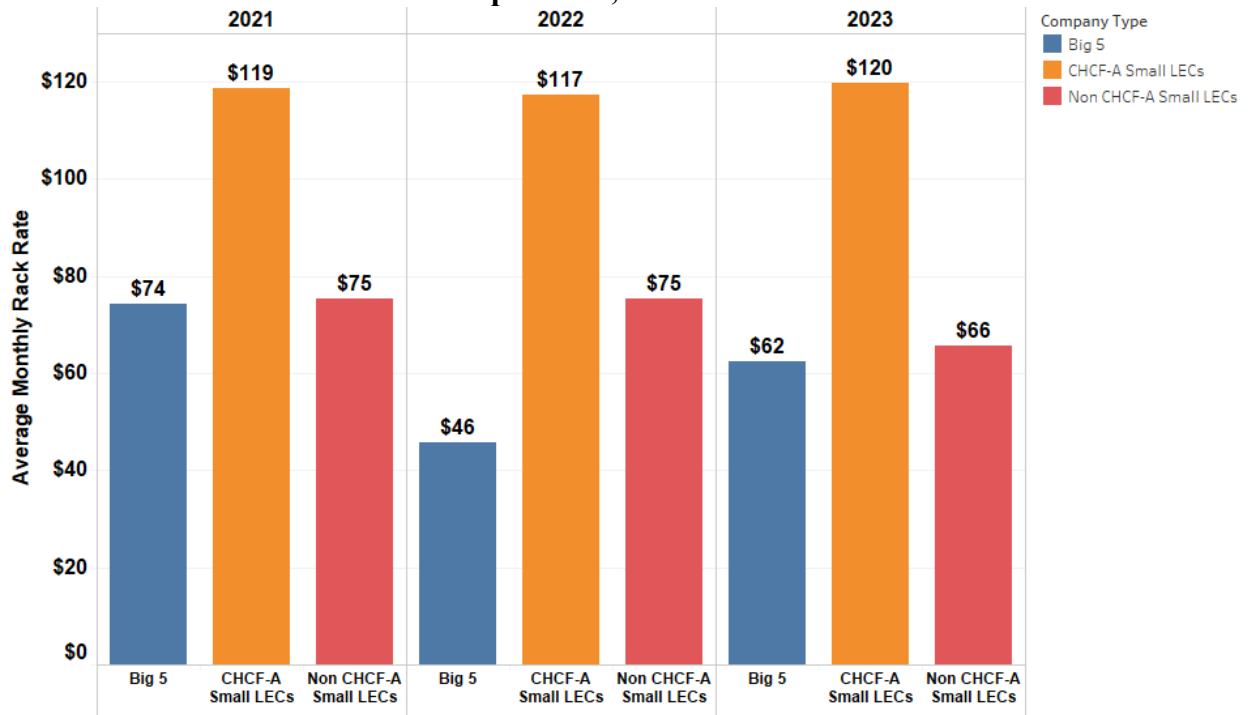
Of the 13 Small LECs, ten receive state subsidies from the CHCF-A. The ten Small LECs that receive CHCF-A subsidies (CHCF-A Small LECs) are subject to rate of return regulation, meaning that they must file general rate case applications with the California Public Utilities Commission (CPUC) to seek approval for the rates they will charge for telephone service.⁷ The Small LECs that operate without CHCF-A subsidies, Happy Valley, Hornitos, and Winterhaven (TDS Companies⁸ or non CHCF-A Small LECs), are not subject to rate of return regulation and thus do not file general rate case applications at the CPUC.

Small LECs that receive subsidies from the CHCF-A charged some of the highest broadband prices in the state.

Responses to the Public Advocates Office’s Annual Broadband Pricing Data Requests indicate that Small LECs that receive subsidies from the CHCF-A for broadband deployment charged some of the highest broadband prices in California in 2023.⁹ On average, for broadband plans within the same speed tier, the CHCF-A Small LECs charged higher prices compared to the internet service providers with the largest deployment footprints in California: AT&T, Comcast, Charter, Cox, and Frontier, (the Big 5)¹⁰ (Figure 2). These subsidized Small LECs also, on average, charged higher rates for broadband services than those charged by Small LECs that *do not* collect CHCF-A subsidies. Figure 2, below, depicts average monthly prices for broadband plans, exclusive of taxes, surcharges, and any promotions or discounts (i.e., the nonpromotional monthly price). This analysis includes pricing for standalone broadband plans as well as for plans that are not available without a voice service purchase or that require payment of a monthly fee for opting out of purchasing a voice plan.¹¹ For these plans, the required voice rate or fee is added to the nonpromotional monthly price

of the broadband service to represent the true cost to the customer. These rates are not weighted by potential customer base, actual number of subscribers, or any other factor. They present a simple average of rates across California.

Figure 2: Average monthly price of Big 5 and Small LEC plans in the ≥ 26 -50 Mbps download speed tier, 2021-2023



This trend of higher rates charged by CHCF-A Small LECs is consistent when broadband plan prices are broken down by technology as well. As with Figure 2, Figures 3, 4, and 5 illustrate average monthly prices of standalone broadband plans and broadband plans bundled with voice service, including the prices of any required voice service or any fee levied if the customer chooses not to purchase voice. These figures illustrate how CHCF-A Small LECs charge higher rates on average than non CHCF-A Small LECs and the Big 5 companies at the ≥ 26 -50 Mbps, ≥ 51 -100, and ≥ 51 -100 Mbps speed tiers across all technology types. This is significant because while it may be reasonable for Small LEC prices to exceed those of Big 5 companies due to their predominantly rural and smaller customer bases, these distinctions do not exist between subsidized and unsubsidized Small LECs.

Figure 3: Average monthly price of Big 5 and Small LEC broadband plans, ≥26-50 Mbps download, by technology, 2022-2023

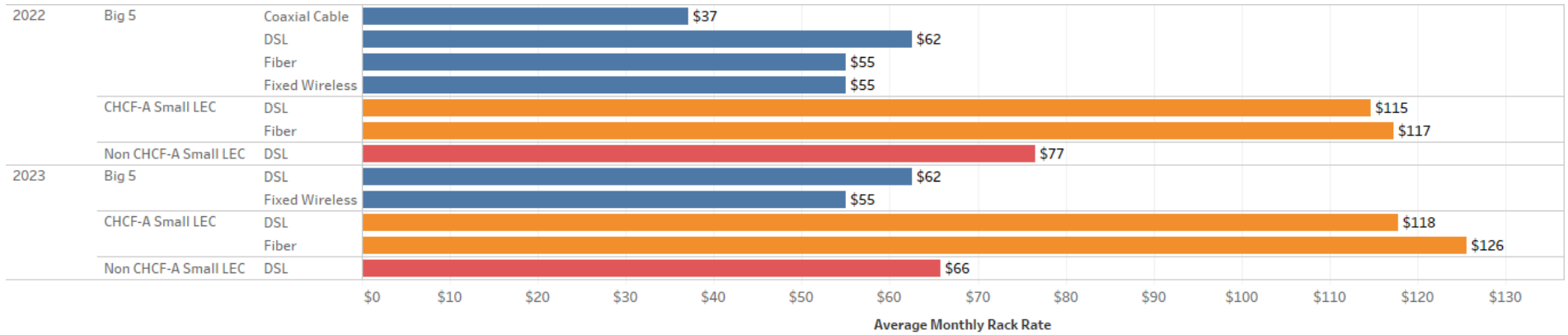


Figure 4: Average monthly price of Big 5 and Small LEC plans in the ≥51-100 Mbps download speed tier by technology, 2022-2023

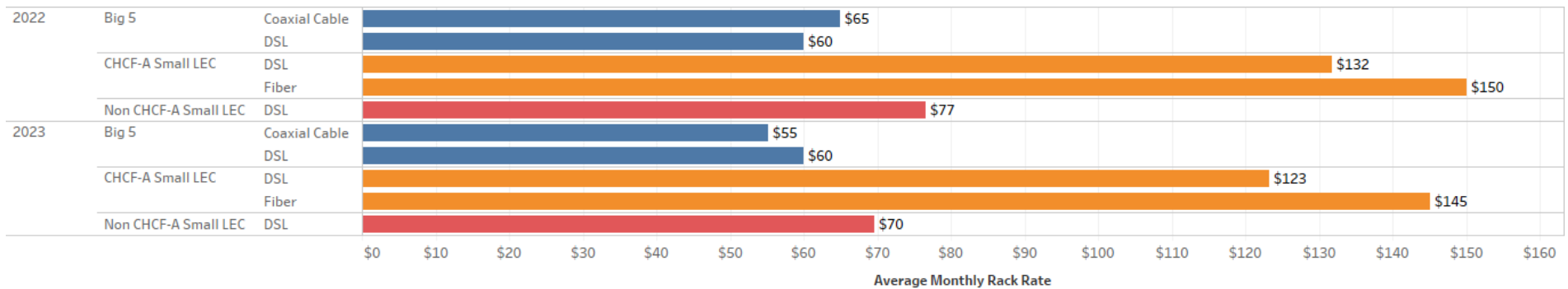
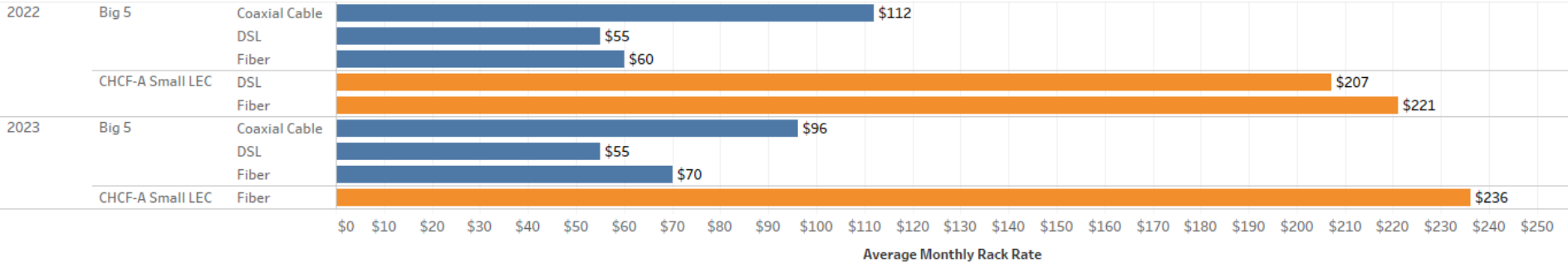


Figure 5: Average monthly price of Big 5 and Small LEC plans in the ≥ 101 -1001 Mbps download speed tier by technology, 2022-2023



Small LECs that collect CHCF-A subsidies charge, on average, significantly more for equivalent broadband service than the Small LECs that do not receive CHCF-A subsidies.

All non CHCF-A subsidized Small LECs have lower average monthly rates¹² for plans that offer broadband service at around 25/3 Mbps¹³ than the average rates offered by CHCF-A Small LECs for similar plans. Figure 6, below, illustrates this point, depicting the average monthly price for each Small LECs’ DSL services that offer speeds closest to 25/3 Mbps. The data presented includes the pricing of CHCF-A Small LECs that require the consumer to either pay for a bundled voice and broadband service or pay fees to access just the broadband service. This variation in pricing cannot be explained by company size, as measured in terms of housing units passed, because, with the exceptions of Pinnacles and Ducor, each of the CHCF-A Small LECs alone is larger than the non CHCF-A Small LECs combined.¹⁴

Figure 6: Average monthly recurring prices across select Small LECs for DSL Service offering the closest speeds to 25/3 Mbps, 2023

Company	Receives CHCF-A Subsidy?	Speed (Mbps)	Average Monthly Price
Calaveras Telephone Company	Yes	25/3	\$92.95
California-Oregon Telephone Company	Yes	25/3	\$87.45
Ducor Telephone Company	Yes	25/3	\$112.45
Foresthill Telephone Company	Yes	30/3	\$107.90
Kerman Telephone Company	Yes	30/3	\$106.69
Pinnacles Telephone Company ¹⁵	Yes	n/a	n/a
The Ponderosa Telephone Company	Yes	25/3	\$98.30
Sierra Telephone Company	Yes	25/5	\$123.20
Siskiyou Telephone Company	Yes	25/1.5	\$108.95
Volcano Telephone Company	Yes	25/3	\$97.45
Happy Valley Telephone Company	No	25/5	\$54.06
Hornitos Telephone Company	No	25/5	\$56.15
Winterhaven Telephone Company	No	25/5	\$54.45

The variations in pricing shown above exist across plans that use the same technology to provide broadband and have similar advertised speed tiers. The pricing variations highlight the fact that technology of service delivery and advertised speed alone cannot completely explain the variation in broadband plan prices seen across Small LEC offers. The incomplete explanation for existing price variations warrants examination of other potential factors in order to better understand the large disparity in broadband pricing among Small LECs.

Small LECs either require a voice service purchase with a broadband purchase or they charge more for standalone broadband than for broadband bundled with a voice purchase.

Broadband can be provided on its own (standalone) or in a bundle with other services such as voice service (telephone), TV, and cable service (bundled). For each Small LEC that *does* offer standalone service at speeds close to 25/3 Mbps, Figure 7, below, compares the average of unique¹⁶ monthly rates for standalone 25/3 Mbps DSL services to the average bundled rates for such service. Three of the 13 Small LECs (Calaveras, Siskiyou, and Volcano) did not offer standalone broadband service in 2023; these Small LECs required all residential customers to purchase a voice service with a broadband service purchase, and so are not listed in the table below. Additionally, Pinnacles Telephone Company did not report offering service at a speed tier sufficiently close to 25/3 Mbps, and so has also been excluded from this comparison.

Figure 7: Average monthly recurring prices for bundled broadband and standalone broadband plans offered over DSL across select Small LECs, 2023

Company	Receives CHCF- A Subsidy?	Speed	Whether Plan is Standalone or Bundled	Average Monthly Price of Service (Average Monthly Price of Broadband Service within a Bundle of Services)
Cal-Ore	Yes	25/3 Mbps	Bundled	\$84.95 (\$59.95)
			Standalone	\$89.95
Ducor	Yes	25/3 Mbps	Bundled	\$114.95 (\$89.95)
			Standalone	\$109.95
Foresthill	Yes	30/3 Mbps	Bundled	\$107.95 (\$82.90)
			Standalone	\$107.95
Kerman	Yes	30/3 Mbps	Bundled	\$105.48 (\$82.90)
			Standalone	\$107.90
Ponderosa	Yes	25/3 Mbps	Bundled	\$72.48 (\$47.48)
			Standalone	\$149.95
Sierra	Yes	25/5 Mbps	Bundled	\$106.45 (\$79.95)
			Standalone	\$139.95
Happy Valley	No	25/5 Mbps	Bundled	\$58.47 (\$41.62)
			Standalone	\$47.45
Hornitos	No	25/5 Mbps	Bundled	\$58.00 (\$41.95)
			Standalone	\$52.45
Winterhaven	No	25/5 Mbps	Bundled	\$59.12 (\$41.62)
			Standalone	\$47.45

One might expect there to be a relative price reduction for individual services purchased within a bundle – that is, the price of just the broadband service within a bundle might be expected to be somewhat less than the price of a similar broadband service sold on a standalone basis. This relative price reduction may reflect the benefit to the company of selling more than one service to a customer or the increased chances of retaining a customer if they purchase more than one service.

However, for some Small LECs (Cal-Ore, Foresthill, Kerman, Ponderosa, and Sierra, highlighted above), 2023 prices of standalone broadband plans were *the same or higher* than the price of the same broadband service sold within a bundle, as well as the *total* price of that same broadband plan and a voice service bundled together, even though the bundled plans provided more services (highlighted numbers, Figure 7). That is, customers paid the same amount or more for purchasing data-only plans than they would if purchasing a broadband plan *and* a voice connection. By contrast, the Small LECs that do not receive the CHCF-A subsidies, and Ducor, which does receive CHCF-A subsidies, charged lower prices for standalone plans than for bundled plans. Providers may price services in this way to induce customers to purchase a voice service even if customers would not choose to do so otherwise.

Conclusion

In comparison to the Big 5 companies, California Small LECs charged higher prices for broadband plans offered using the same technology at similar speeds. Furthermore, the Small LECs that receive the CHCF-A subsidy charged substantially higher average prices than the Small LECs that do not receive the CHCF-A subsidy. This supports the Public Advocates Office’s finding¹⁷ that subsidies alone may not consistently serve the intended benefit of lowering broadband plan prices for customers. Finally, there was a stark variation in broadband pricing across the Small LECs that was dependent on whether broadband was “bundled” with voice service. Some Small LECs charge more for standalone broadband service than they do for broadband service sold with a voice service.

¹ Infrastructure Investment and Jobs Act, P.L. 117-58 §60101(1) (2021). *See also* Decision (D.) 20-07-032 (2020, July 16), Decision Adopting Metrics and Methodologies for Assessing the Relative Affordability of Utility Service, pp. 27-32. *See also* D.21-10-020, Rulemaking 20-09-001 (2021, October 21), Decision Resolving Phase I of Broadband for All Proceeding, p.2. *See also* Executive Department, State of California (2020, August 14), Executive Order (E.O.) N-73-201.

² Federal Communications Commission (FCC) 2022 Communications Marketplace Report, FCC 22-103 at ¶3 (Dec. 30, 2022) available at <https://docs.fcc.gov/public/attachments/FCC-22-103A1.pdf>.

³ Public Advocates Office, *Broadband Pricing Trends in California, 2024 Report: Implications of broadband pricing in achieving universal access to fixed broadband*, (Jul. 9, 2024), available at <https://www.publicadvocates.cpuc.ca.gov/press-room/reports-and-analyses/broadband-pricing-trends-in-california-2024-report>. In 2023, the Public Advocates Office (Cal Advocates) published the first annual *Broadband Pricing Trends in California*, examining broadband rates from 2019-2022, available at <https://www.publicadvocates.cpuc.ca.gov/-/media/cal-advocates-website/files/press-room/reports-and-analyses/230510-cal-advocates-broadband-pricing-trends-in-ca.pdf>. Also in 2023, the Cal Advocates published its first

broadband pricing focus paper on Small LEC broadband rates, *Focus: Pricing Trends for California's Small Local Exchange Carriers*, available at <https://www.publicadvocates.cpuc.ca.gov/-/media/cal-advocates-website/files/press-room/reports-and-analyses/230510-cal-advocates-broadband-pricing-small-lecs-focus-paper.pdf>.

⁴ See Cal. Pub. Util. Code §275.6(a).

⁵ Cal. Pub. Util. Code §275.6 (c)(3).

⁶ Cal. Pub. Util. Code §275.6 (c)(5).

⁷ Cal. Pub. Util. Code §275.6(c).

⁸ Happy Valley Telephone Company, Hornitos Telephone Company, and Winterhaven Telephone Company are subsidiaries of Telephone and Data Systems, Inc., also known as TDS Telecom.

⁹ Public Advocates Office, *Broadband Pricing Trends in California, 2024 Report: Implications of broadband pricing in achieving universal access to fixed broadband at Figures 2, 3, and 5 (Jul. 9, 2024)*, available at <https://www.publicadvocates.cpuc.ca.gov/press-room/reports-and-analyses/broadband-pricing-trends-in-california-2024-report>.

¹⁰ CPUC Tableau Public Dashboard, *EOY2020 CA Residential Fixed BB Deployment*, available at <https://public.tableau.com/app/profile/cpuc/viz/EOY2020CAResidentialFixedBBDeployment/Dashboard>.

¹¹ For most Small LECs that offer both standalone broadband service and broadband bundled with voice, an increased rate for standalone broadband is apparent just by looking at the monthly rates of the standalone vs. bundled plans. However, with regards to one Small LEC, Cal-Ore, the increased cost of the standalone broadband plan is presented as an additional \$30 per month “data connection fee,” rather than simply a more-expensive price that may be more transparent to customers.

¹² For this analysis, Cal Advocates averaged a provider’s standalone and bundled broadband rates for plans at the listed speed. Four out of 13 Small LECs require purchase of voice service with broadband service or apply a fee roughly equivalent to their voice service rate, should the customer elect standalone broadband service. When a voice purchase or fee for not purchasing voice are required, those fees or rates for the required monthly voice service are added to the broadband rate to indicate the true monthly cost to customers of the broadband service.

¹³ Until March 14, 2024, the FCC classified broadband service providing at least 25/3 Mbps as “advanced telecommunications service.” See FCC, 2015 Broadband Progress Report and Notice of Inquiry on Immediate Action to Accelerate Deployment at 3, FCC 15-10 (Feb. 4, 2015), available at <https://docs.fcc.gov/public/attachments/FCC-15-10A1.pdf>. See also FCC, 2024 Section 706 Report at ¶2, FCC 24-27A1 (Mar. 14, 2024), available at <https://docs.fcc.gov/public/attachments/FCC-24-27A1.pdf>, for the FCC’s recent update of this standard to 100/20 Mbps. For federal broadband deployment programs such as the Broadband Equity Access and Deployment program, a broadband serviceable location may be eligible for subsidized deployment if that location lacks access to service at 25/3 Mbps. See Infrastructure Investment and Jobs Act, P.L. 117-58 §60102(a)(1)(A) (2021) and *id.* at §60102(e)(4)(A)(I)(aa).

¹⁴ CPUC, *EOY2020 CA Fixed Broadband Adoption*, <https://public.tableau.com/app/profile/cpuc/viz/EOY2020CAResidentialFixedBBDeployment/Dashboard>, last accessed June 2024.

¹⁵ Pinnacles Telephone Company did not report offering service at speeds relevant for this comparison. Pinnacles reporting offering service at 4/1 Mbps, 10/1 Mbps, 100/100 Mbps, and 1000/1000 Mbps.

¹⁶ Here, “unique” monthly rates mean that if a provider offers, for example, a plan with a standard rate, a 24 month promotional rate and a 36 month promotional rate, and if the 24 month promotional rate is the same as the 36 month promotional rate, the rate is only counted once in the calculation of the average rate.

¹⁷ Public Advocates Office, *Broadband Pricing Trends in California, 2024 Report: Implications of broadband pricing in achieving universal access to fixed broadband at 25 (Jul. 9, 2024)*, available at <https://www.publicadvocates.cpuc.ca.gov/press-room/reports-and-analyses/broadband-pricing-trends-in-california-2024-report>.