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BY OVERNIGHT MESSENGER

August 30, 2007

Kira Scott
Appeals, Rules & Mediation Section
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0852

RE: Comments of Frontier Communications of the South, LLC: Eligible Telecommunications Carrier Workshop – August 20, 2007

Dear Ms. Scott:

Please find below Frontier's comments and responses to Staff's questions in the above-referenced matter.

1) Q: What is the role and authority of the FPSC in the USF process?

A: It is Frontier's position that the FPSC's responsibility is to determine whether a request for Eligible Telecommunications Carrier (ETC) status meets the requirements for such status and, in rural areas, whether granting such a request is in the public interest. In determining public interest, Frontier urges the FPSC to consider the guidelines set forth in these comments, and in particular Frontier's answers to questions #2 and #5, below.

2) Q: How many ETCs should be designated in a rural wire center?

A: A maximum of three – one ILEC, one wireline CLEC and one wireless carrier. This proposal provides for a great deal of competition, without unnecessarily duplicating the drain on the Universal Service Fund (USF). There is no public policy reason or need to have more than three carriers of last resort in any study area, and the possibility of a large number of CETCs in every study area puts the long-term sustainability of universal service funding at risk.

3) Q: How many ETCs should be designated in a non-rural wire center?

A: Frontier, as a rural ILEC in Florida, has no position on this issue.

4) **Q: If a limit is set on the number of ETCs designated in a wire center, how should it be decided which ETC(s) serve it? (e.g., one wireline & one wireless?)**

A: See response to question #2. Frontier opposes the use of reverse auctions for ILEC support since they would create an unpredictable and insufficient mechanism to preserve and advance universal service, due in large part to the impact of carrier of last resort obligations of ILECs. However, as it relates to determination of CETCs, Frontier has proposed to the Federal-State Joint Board that if multiple carriers apply for one of the two CETC slots proposed, then a reformed USF process could provide for a reverse auction or some other evaluation process to choose among the mutually exclusive applications.

5) **Q: How should "Public Interest" be determined for ETC designation in a rural area?**

A: a) The FPSC should start from the FCC's five recommended guidelines, and in addition should adopt the criteria set forth in these comments. The recommended guidelines, adopted in the Report and Order in *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, 20 FCC Rcd 6371 (released March 17, 2005), are:

(1) a commitment and ability to provide services, including providing service to all customers within its proposed service area;

(2) how it will remain functional in emergency situations;

(3) that it will satisfy consumer protection and service quality standards;

(4) that it offers local usage comparable to that offered by the incumbent LEC; and

(5) an understanding that it may be required to provide equal access if all other ETCs in the designated service area relinquish their designations pursuant to section 214(e)(4) of the Act.

b) As discussed in #2 above, the FPSC should limit the number of ETCs to a maximum of one ILEC, one wireline CLEC and one wireless provider.

c) In addition, as a matter of public interest and to ensure that an ETC is advancing the goals of universal service, the FPSC should require each applicant for ETC status to demonstrate that it will provide a flat rate residential service available to any residential subscriber (not only to Lifeline-eligible subscribers) that is reasonably priced and that includes unlimited outbound local calling and unlimited inbound calling. As provided in the applicable statute, 47 U.S.C. §254(b)(1) and (b)(3), the rates for this service should be both "just, reasonable and affordable" and "reasonably comparable to rates charged for similar services in urban areas."

d) Like flat rate local service, broadband Internet access service has become a key element of universal service and a necessity for any community to compete for jobs in today's worldwide market. Frontier proposes that provision of broadband Internet access services to a large and increasing percentage of a study area should be a prerequisite to the receipt of ETC status. In this way, the Commission can provide a strong incentive for the provision and expansion of broadband services without necessarily adding specific funding requirements for these services with further burdens on the universal service fund. In particular, Frontier proposes that ETC applicants commit to offer, and then actually offer, broadband Internet access service to 50% of the customers within the study area by the end of the first year of its certification, to 75% by the end of the third year and to 90% by the end of the fifth year.

   Frontier proposes to define the required broadband offering as a download speed of at least 1 Mbps. This level provides roughly 20 times the speed of a dial-up Internet connection and is 5 times faster than the 200 Kbps standard currently used by the FCC. It represents a reasonable compromise between the current low standard and the faster speeds that are achievable in denser, more urban areas. A 1 Mbps download speed is enough to support most Internet-based streaming audio and video services and the download of large files, and is more than enough for normal web browsing and email applications. Frontier submits that it is reasonable to expect ILECs and CETCs to achieve this level of speed in rural areas.

e) Any applicant for ETC status should demonstrate that it will actively offer, and in subsequent years demonstrate that it has actively marketed, a Lifeline service that, like local service discussed above, is reasonably and affordably priced at a level not to exceed the rates for similar services in urban areas. Frontier submits that it does not advance the public interest to offer only a Lifeline service that has a relatively small discount from a high-priced service that is not affordable to the typical Lifeline-qualifying customer. Frontier submits that a discount made available to Lifeline customers to purchase any service or bundle of services is in the public interest if it is an option, but it should not be the only Lifeline offering if the only available local service is high-priced.

f) Frontier proposes that the FPSC should, as a matter of public interest in rural areas, go beyond the FCC's fifth guideline (an ETC may be required to provide equal access if it is the last remaining ETC), and require that any ETC provide equal access as long as the FCC continues to require ILECs to provide equal access.

Frontier recognizes that this list could be viewed as burdensome by some CETCs, but the FPSC should keep in mind that rural CETC designation frequently brings with it the ability to draw High Cost Support from the USF. This is, in fact, the primary reason that carriers apply for CETC status in rural areas. As the adage goes, "He who takes the King's shilling must do the King's bidding." In other words, if a carrier wishes to take USF funding, it is more than reasonable for the Commission to determine that it is in the public interest to impose on that carrier some of the same public interest and universal service requirements that ILECs bear.

6) Q: **Can a state apply a "Public Interest" standard found in § 214(e)(2) of the Telecommunications Act of 1996, to carriers seeking ETC status in non-rural study areas? If so, how should "Public Interest" be determined for ETC designation in a non-rural area?**

A: Frontier, as a rural ILEC in Florida, has no position on this issue.

7) Q: **What additional criteria should be required to obtain ETC status for high-cost funds? (e.g., USF funds must be invested in Florida? USF funds must be used in unserved areas?)**

A: Please see Frontier's response to #5 above.

8) Q: **Pursuant to § 214(e)(1), should an entity be required to establish its ability to serve all customers of the current ETC, if the incumbent ETC relinquishes its designation?**

A: Yes. Any ETC prepared to step up to "carrier of last resort" status should demonstrate that it is capable of meeting the requirements of that status. If an ETC cannot serve existing ILEC customers, it is not a carrier of last resort.

9) Q: **In Order No. PSC-07-0288-PAA-TP, the FPSC concluded that "... we now have jurisdiction to consider CMRS applications for ETC designation." Given that the FCC's jurisdiction to designate a carrier as an ETC, in § 214(e)(6) of the Telecommunications Act of 1996, is premised on a state commission not having jurisdiction, can the FCC designate any additional carriers within Florida?**

A: It is Frontier's view that the FPSC, not the FCC, has the jurisdiction and responsibility to designate ETCs.

10) Q: **Can the FCC continue to perform annual certification of carriers that it has designated if it no longer has jurisdiction under § 214(e)(6) of the Telecommunications Act of 1996?**

A: It is Frontier's view that this responsibility now rests with the FPSC, not the FCC.

11) Q: Should an ETC be required to offer <u>all</u> supported services pursuant to 47 C.F.R. § 54.101(a)(1), not just, e.g., Lifeline and Link-Up?

A: Yes. Please also see Frontier's response to #5, above.

12) Q: If an ETC uses its ETC designation only for the purposes of providing Lifeline service, should a waiver be sought of other requirements to offer services? What is the extent of the FPSC's authority to grant such waivers?

A: Frontier believes that there should be no such waivers.

13) Q: What can Florida do to relinquish its role as being the number one net contributor to the USF fund?

A: Florida should support the efforts to reform USF funding being considered by the Federal-State Joint Board such as the proposed cap on wireless USF funding and the use of a carrier's own costs to determine its high cost funding. In addition, the FPSC should adopt public interest requirements for ETC designation in rural areas as set forth in #5, above, that would guarantee that additional USF funding to CETCs in Florida would be given only where there is a significant benefit to universal service and the public interest.

14) Q: In considering the "Public Interest" standard for ETC designation, to what degree should the following aspects be considered:

a. The benefits of increased customer choice?

A: No. Increased customer choice automatically occurs whenever any competitor enters the marketplace. If the mere entry of a competitor established "public interest", then there would be no reason or need for the statute to require a public interest finding. It follows that increased competitive entry, and therefore increased customer choice, should not be a significant factor in determining the public interest.

b. The impact of the designation on the universal service fund?

A: Yes. The FPSC should consider what the ETC applicant is seeking, what impact any additional funding would have on customers in general and Florida customers in particular, and what the ETC should reasonably be required in the public interest to give in return for what it is seeking to receive.

c. The unique advantages and disadvantages of the competitor's service offering?

A: Only to the extent these advantages and disadvantages promote or retard universal service and the public interest. For example, if a carrier's cheapest flat rate local service offering is priced at $40 or $50, the fact that the carrier may also offer mobility is of no use to customers who cannot afford the service.

15) Q: How should the comparable local usage requirement of ETC designation be considered?

A: See response to #5, above. Every ETC should offer an affordable flat rate local service with unlimited outgoing local calls and unlimited incoming calls, priced no higher than comparable service in urban areas.

16) Q: Should the amount of per-line support received by the incumbent LEC be a consideration in ETC designation?

A: Frontier submits that all ETCs should receive support based on their own costs, and Frontier is advocating this position before the Joint Board and the FCC. As long as CETCs receive per-line support at the ILEC level, it is more than fair to consider what support a new CETC will be getting, and what the public interest requires the CETC to give back to the community.

17) Q: Should a requirement of one line per household for USF be imposed? Does the FPSC have the authority to take such action?

A: No. It would be nearly impossible to administer USF support on a single line basis in a typical situation where a household has both wireline and wireless service. In addition, there is no basis to deny an ETC support for multiple lines to a single household in a high cost area. These matters are not within the FPSC's jurisdiction. Federal USF reform is a matter that must be considered by the Federal-State Joint Board and ruled upon by the FCC.

18) Q: Should ETCs be required to list the projects and locations of all projects for which USF funds will be used in their five-year plans? Should ETCs be required to provide an explanation if a project isn't completed by the time of the next annual recertification?

A: No. The purpose of USF funding is to provide support for the provision of service in high cost areas, not to fund specific projects. It is impracticable for any ETC to track specific projects against USF funds. In addition, carriers must frequently re-prioritize projects as changes occur in the marketplace and as projects move toward fruition. It would be wasteful of resources and contrary to the public interest to lock carriers into a specific list of projects. It would be burdensome and unnecessary to require carriers to obtain approval of a list of projects, to track funds spent on each project, to commit to timetables and to justify all changes.

19) Q: **How should the benefit be measured of adding plant in a wire center using USF funds? (e.g., more customers? more handsets? better coverage?)**

A: USF funding should not be measured against plant additions. Please see Frontier's response to #18, above.

20) Q: **What criteria should be used to determine if an ETC is meeting the Lifeline and Link-Up advertising requirements?**

A: The Commission should internally estimate the number of probable Lifeline-eligible customers in an area and determine whether an ETC is reaching a reasonable proportion of those customers through its marketing efforts. Frontier supports Lifeline advertisements, brochures that can be distributed by appropriate agencies and organizations, bill messages, and dialogs between customers applying for new service and a carrier's customers service representatives as reasonable means to market Lifeline services. Because each individual customer has a choice whether or not to apply for Lifeline service, no particular number of percentage of Lifeline subscribers should be required. Frontier also urges the Commission not to require bill inserts, which are very expensive to print in small batches for small carriers like Frontier and add significantly to postage expense.

21) Q: **What criteria should be met if an ETC decides it wishes to relinquish its ETC designation?**

A: An ETC should be permitted to relinquish its ETC designation at any time.

22) Q: **What are the differences in the requirements to be an ETC versus the requirements of a carrier of last resort (COLR)?**

A: The requirements should be the same. Please also see Frontier's responses to #5 and #8, above.

23) Q: **Do the responsibilities associated with ETC designation differ from those afforded a COLR under state law? If so, what are the differences and similarities?**

A: The responsibilities should be the same.

24) Q: Should a company which is a reseller and who also leases network elements be required to have a certain percentage of customers served by the leasing of network elements to meet the "own facilities" requirement?

A: A reseller without its own landline or mobile switch should not qualify as using its own facilities. In such a circumstance the carrier does not have a real investment in the network that would warrant its receipt of USF funding. However, a switch-based CLEC should not be disqualified from CETC status merely because it leases loops, or the equivalent, from other carriers to connect its switch to its customers, but as argued above, Florida should advocate for USF reform that would base a carrier's high cost funding on its own costs, not those of another carrier.

25) Q: What percentage of wireless CETC support should go to new towers in unserved areas?

A: Frontier has no opinion on this issue, except to restate its position in #18 above that the purpose of high cost funding should be to support a carrier in its provision of service in high cost areas, not to fund specific projects.

26) Q: What other issues need to be addressed when considering ETC policy?

A: Frontier has no further comments to offer at this time.

Very truly yours,

Gregg C. Sayre
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GCS/hmj
Encl.