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NOTICE OF EX PARTE

October 5, 2016

VIA ECFS

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th St., S.W.
Washington, D.C. 20554

Re: *Investigation of Certain Price Cap Local Exchange Carrier Business Data Services Tariff Pricing Plans, WC Docket No. 15-247; Special Access Rates for Price Cap Local Exchange Carriers, WC Docket No. 05-25 and RM-10593; Business Data Services in an Internet Protocol Environment, WC Docket No. 16-143*

Dear Ms. Dortch:

On October 3, 2016, Kathleen Abernathy, Executive Vice President, External Affairs and Perley McBride, Chief Financial Officer (via phone) of Frontier Communications met with Matt DelNero, Chief, Wireline Competition Bureau; Paul de Sa, Chief, FCC Office of Strategic Planning and Policy Analysis; and Bill Dever of the Office of General Counsel, to discuss the proceeding referenced above.

Frontier discussed its revenue streams based upon its most recent quarterly report. Frontier described that it has pursued a series of strategic mergers and acquisitions that have increased its scale and expanded revenue opportunities, including, most recently, the acquisition of Verizon's wireline properties in California, Florida, and Texas. These purchases and their associated debt were based upon expected revenues relying on previous performance, including that of business data services (BDS). Therefore, the Commission's decisions on the scale of BDS rate cuts will have impacts on both previous activities and future opportunities. Depending upon the scale and timing of any BDS reductions, Frontier will have a limited means of offsetting them beyond reduced investment in broadband and job cuts. These reduced investments today, however, limit long-term growth opportunities and distort the competitive landscape. This, in turn, increases the cost of capital and further diverts resources away from the very infrastructure investments that are core to Frontier's plans to expand broadband availability and capabilities to the new markets that it has acquired.

Frontier also explained that the BDS proceeding cannot be viewed in a vacuum. The Commission's 2011 Universal Service Fund/intercarrier compensation order phased out terminating access revenue and, by its specific terms, limited the amount of that revenue that

Frontier was able to recover from end users.[1] At the same time, it also attached explicit deployment commitments to high-cost universal service funding.[2] Accordingly, Frontier described the need for the Commission to consider a transition period and limited BDS rate reductions for mid-size ILECs who stand to be disproportionately affected by recent regulatory reform.

Please contact me with any additional questions.

Sincerely,

/s/

Mike Saperstein

Cc: Matt DelNero
Paul de Sa
Bill Dever

[1] *In re:* Connect America Fund, *et al.*, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, 17956 ¶ 847.

[2] *See generally id.* 26 FCC Rcd at 17709, Section VII.