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March 15, 2015

VIA ECFS

Ex Parte

Julie Veach (julie.veach@fcc.gov)
Chief, Wireline Competition Bureau
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: WC Docket No. 12-61, *Petition of USTelecom for Forbearance Under 47 U.S.C. § 160(c) from Enforcement of Certain Legacy Telecommunications Regulations*

WC Docket No. 07-204, *Petition of Qwest Corporation for Forbearance from Enforcement of the Commission's ARMIS and 492A Reporting Requirements Under 47 U.S.C. § 160(c); Petition of the Embarq Local Operating Companies for Forbearance Under 47 U.S.C. § 160(c) from Enforcement of Certain ARMIS Reporting Requirements, et al.*

WC Docket No. 07-21, *Petition of AT&T Inc. for Forbearance Under 47 U.S.C. § 160(c) from Enforcement of Certain of the Commission's Cost Assignment Rules*

Dear Ms. Veach:

Pursuant to the *USTelecom Forbearance Order*,¹ attached is Frontier Communications Corporation's ("Frontier") Cost Assignment Compliance Plan. Questions regarding this Plan may be directed to me at the above address, via e-mail at AJ.Burton@ftr.com, or by telephone at (202) 223-6807.

Respectfully,

/s/ AJ Burton
AJ Burton
Director, Federal Regulatory Affairs

¹ *Petition of US Telecom for Forbearance Under 47 U.S.C. § 160(c) from Enforcement of Certain Legacy Telecommunications Regulations, et al.*, Memorandum Opinion and Order and Report and Order and Further Notice of Proposed Rulemaking and Second Further Notice of Proposed Rulemaking, 28 FCC Red 7627 (2013) ("*US Telecom Forbearance Order*").

cc (via electronic mail):

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FRONTIER COMMUNICATIONS CORPORATION
COST ASSIGNMENT FORBEARANCE COMPLIANCE PLAN

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**FRONTIER COMMUNICATIONS CORPORATION
COST ASSIGNMENT FORBEARANCE COMPLIANCE PLAN**

I. INTRODUCTION AND SUMMARY

Frontier Communications Corporation (“Frontier”), a price-cap incumbent local exchange carrier, files this Cost Assignment Forbearance Compliance Plan (“Compliance Plan” or “Plan”) in order to take advantage of the relief granted to independent local exchange carriers by the Commission in its *USTelecom Forbearance Order*.¹ This plan is applicable to all of the local exchange carrier affiliates of Frontier,² with the exception of former Verizon and AT&T subsidiaries that have already received approval of forbearance plans.³ Both Verizon and AT&T, each on behalf of itself and its affiliates, previously filed compliance plans in connection with similar forbearance relief granted to AT&T and Verizon in 2008.⁴ These compliance plans were approved by the Commission on December 31, 2008.⁵

This Compliance Plan describes how Frontier will comply with the continuing accounting requirements under the Act and the Commission’s rules, and satisfies the conditions

¹ *Petition of US Telecom for Forbearance Under 47 U.S.C. § 160(c) from Enforcement of Certain Legacy Telecommunications Regulations, et al.*, Memorandum Opinion and Order and Report and Order and Further Notice of Proposed Rulemaking and Second Further Notice of Proposed Rulemaking, 28 FCC Red 7627 (2013) (“*US Telecom Forbearance Order*”).

² The entirety of Frontier’s LEC operations is under the Commission’s price cap regime. Therefore the cost assignment relief in the *USTelecom Forbearance Order* applies to all such Operations.

³ Former Verizon subsidiaries that have already received approval of forbearance plans include Frontier Communications Northwest Inc., Frontier Communications of the Carolinas LLC, Frontier Communications of the Southwest Inc., Frontier Communications of Virginia, Inc., Frontier Midstates Inc., Frontier North Inc., and Frontier West Virginia Inc. See *Applications Filed by Frontier Communications Corporation and Verizon Communications Inc. for Assignment or Transfer of Control*, Memorandum Opinion and Order, 25 FCC Rcd 5972 (2010). Former AT&T subsidiaries that have already received approval of forbearance plans include The Southern New England Telephone Company. See *Applications Filed by Frontier Communications Corporation and AT&T Inc. for the Assignment or Transfer of Control of the Southern New England Telephone Company and SNET America, Inc.*, Memorandum Opinion and Order, 29 FCC Rcd 9203 (2014).

⁴ See *Petition of AT&T Inc. For Forbearance Under 47 U.S.C. § 160 From Enforcement of Certain of the Commission’s Cost Assignment Rules*, Memorandum Opinion and Order, 23 FCC Rcd 7302 (rel. Apr. 24, 2008); *Petition of Verizon for Forbearance Under 47 U.S.C. § 160(c) From Enforcement of Certain of the Commission’s Recordkeeping and Reporting Requirements*, Memorandum Opinion and Order and Notice of Proposed Rulemaking, 23 FCC Rcd 13647 (rel. Sept. 6, 2008).

⁵ *Wireline Competition Bureau Approves Compliance Plans*, Public Notice, 23 FCC Rcd 18417 (rel. Dec. 31, 2008).

contained in the *USTelecom Forbearance Order*.⁶ Frontier requests that the Bureau approve this Compliance Plan so that Frontier can avail itself of the relief from the cost assignment rules at the earliest possible date. Frontier’s plan resembles those previously filed by AT&T, Verizon, Qwest, CenturyLink and Windstream, (all of which have been approved).⁷

Frontier’s Plan includes the following components:⁸

- A description of how Frontier will maintain its accounting procedures and accounting data so that it will be able to provide information in a timely manner, if requested by the Commission, to comply with the conditions of the *USTelecom Forbearance Order*.
- A description of the procedures Frontier’s will follow to ensure compliance with Section 254(k) of the Act, together with a certification executed by a Frontier executive, attesting that Frontier will comply with the requirements of section 254(k) in the absence of the Commission’s cost assignment rules and provide to the Commission information necessary to establish such compliance upon receipt of an appropriate request.⁹ Frontier will also designate a single point of contact for section 254(k) compliance.

⁶ *USTelecom Forbearance Order*, 28 FCC Red at 7651-53 ¶¶ 42-47.

⁷ See AT&T Compliance Plan, WC Docket Nos. 07-21 and 05-342, filed July 24, 2008 (“AT&T Compliance Plan”); Cost Assignment Forbearance Plan of Verizon, WC Docket Nos. 07-273 and 07-21, filed Sept. 19, 2008 (“Verizon Compliance Plan”); Qwest Corporation’s Compliance Plan, WC Docket Nos. 07-21 and 07-204, filed Sept. 24, 2008 (“Qwest Compliance Plan”); *Wireline Competition Bureau Approves Compliance Plans*, Public Notice 23 FCC Rcd 18417 (Dec. 31, 2008); CenturyLink Cost Assignment Forbearance Compliance Plan, WC Docket Nos. 07-21, 07-204 and 12-61, filed Dec. 5, 2013 (“CenturyLink Compliance Plan”); *Wireline Competition Bureau Approves CenturyLink Compliance Plan*, Public Notice, 29 FCC Rcd 3158 (Mar. 26, 2014); Windstream Cost Assignment Forbearance Compliance Plan, WC Docket Nos. 07-21, 07-204 and 12-61, filed Jan. 31, 2014 (“Windstream Compliance Plan”); *Wireline Competition Bureau Approves Windstream Compliance Plan*, Public Notice, 29 FCC Rcd 10093 (Aug. 21, 2014).

⁸ At this time Frontier is not seeking to take advantage of the additional forbearance relief granted in the *USTelecom Forbearance Order* (i.e., forbearance from the separate affiliate requirement under C.F.R. § 64.1903). See *USTelecom Forbearance Order*, 28 FCC Rcd at 7691 ¶ 142. Frontier will continue to comply with independent obligations unaffected by the cost assignment forbearance granted in the *USTelecom Forbearance Order* and that may be applicable to certain types of affiliate transactions. If, in the future, Frontier decides to take advantage of the additional forbearance relief granted in the *USTelecom Forbearance Order*, Frontier will file a separate compliance plan addressing the conditions of the relief.

⁹ 47 U.S.C. § 254(k).

- A description of the transition process that Frontier will undertake to implement the procedures in its Compliance Plan.

II. PLAN FOR MAINTENANCE OF ACCOUNTING PROCEDURES AND DATA FOR FUTURE COMMISSION USE UPON REQUEST

In the *USTelecom Forbearance Order*, the Commission conditioned its cost assignment forbearance upon a requirement that price cap carriers “continue complying with the Part 32 Uniform System of Accounts [“USOA”] rules . . . and . . . provide Part 32 data on request by the Commission for use in rulemaking, adjudications, or for other regulatory purposes.”¹⁰ In doing so, the Commission noted that “Part 32 USOA data are the underlying raw data used in the Cost Assignment rules.”¹¹ Frontier proposes a five-part plan for how it will continue to comply with the remaining Part 32 Uniform System of Accounts rules and maintain its accounting procedures and data in a manner that will allow it to provide useable information on a timely basis in the event that the Commission determines in the future that it needs allocated accounting cost data to serve a regulatory purpose.

First, Frontier will continue to maintain USOA books of account that include account-specific investment, expense and revenue data for Part 32 accounts. Specifically, Frontier will continue to record ILEC investment, expense and revenue information into its general ledgers and other accounting records as necessary to create and maintain prospectively accounting data in conformance with the Part 32 account structure. All of these data will remain available for inspection by the Commission or for reporting to the Commission by Frontier for regulatory purposes.¹²

Second, Frontier will maintain its most recent cost allocation results, including a

¹⁰ *USTelecom Forbearance Order* ¶ 43 (footnote omitted).

¹¹ *Id.*

¹² Frontier reserves the right to limit the retention of such information consistent with the Commission’s policies on record retention.

calculation of corresponding ratios by USOA account for non-regulated, state, interstate and each Part 69 rate element, using data from the most recent cost allocation studies. If the Commission were to request this cost allocation information or associated data in the future, Frontier would provide the information using these ratios, while reserving the right to update the ratios to track significant accounting or regulatory changes that might occur after Frontier's Compliance Plan is approved. In evaluating whether to undertake such an updating, Frontier would assess the reliability of the existing ratios and the relative burden of the updating process.

Third, in the event the Commission appropriately seeks allocated cost information needed for a federal regulatory purpose beyond data that can be derived from the preserved information described above, Frontier can – to the extent not unreasonably burdensome – perform special economic cost studies to respond to such a request.

Fourth, in connection with the above commitments, Frontier will retain sufficient data and documentation of its present accounting methods and procedures that are used to allocate costs. This includes Frontier's training materials, guidelines and system documentation used to allocate costs as of the date of approval of this Plan. Such materials will be assembled and maintained by individuals who are familiar with the cost allocation subject matter. Frontier will likewise maintain in an electronic medium systems, spreadsheets, and software necessary for cost assignment purposes.

Finally, with respect to affiliate transactions, specifically, 47 C.F.R. § 32.27, prospectively Frontier will record and price such transactions in accordance with Generally Accepted Accounting Principles ("GAAP") or appropriate accounting standards that may modify or replace GAAP in the future. Frontier will also apply this approach to affiliate transactions between Frontier and its affiliates that are subject to Rule 64.1903, such as, for example the sharing of personnel. This accounting approach would comply with the intent of the rule to

ensure that regulated operations do not subsidize non-regulated affiliates.¹³ Frontier will also retain sufficient data and documentation of its present accounting methods and procedures used for affiliate transactions. This includes necessary training materials, guidelines, and system documentation existing as of the date of approval of this Plan. Such materials will be assembled and maintained by individuals who are familiar with the affiliate transaction subject matter.

III. ANNUAL CERTIFICATION AND COMPLIANCE WITH SECTION 254(k)

The *USTelecom Forbearance Order* also conditions its cost assignment forbearance upon a requirement that price cap carriers “certify, on an annual basis, that they have complied with Section 254(k) of the Act, and will maintain and provide any requested cost accounting information necessary to prove such compliance in the event of an administrative action, investigation, or audit.”¹⁴

As required, Frontier’s first annual certification attesting to its compliance with section 254(k) of the Act in the absence of cost assignment rules is attached to this Compliance Plan. This certification is signed by Jessica Matushek, Director, Accounting, who also attests that Frontier will provide information to the Commission necessary to establish section 254(k) compliance upon an appropriate request.

The Commission has already determined that an annual certification is a suitable indicator of compliance for some carriers.¹⁵ As such, the attached certification itself largely satisfies Frontier’s obligations under section 254(k) and the conditions of forbearance in the *USTelecom Forbearance Order*. Section 254(k) provides that “[a] telecommunications carrier may not use services that are not competitive to subsidize services that are subject to

¹³ Since Frontier is not availing itself of the forbearance relief granted in the *USTelecom Forbearance Order* from the separate affiliate requirement of C.F.R. § 64.1903, Frontier will still be subject to the provisions in 47 C.F.R. § 64.1903(a)(3) governing the affiliate’s acquisition of services from the local exchange carrier.

¹⁴ *USTelecom Forbearance Order*, 28 FCC Rcd at 7652 ¶ 45 (footnote omitted).

¹⁵ See 47 C.F.R. § 64.905.

competition.”¹⁶ The Commission has previously indicated that this requirement is intended to prevent ILECs from gaining an unfair advantage in markets for services that are competitive by assigning excessive costs to non-competitive services.¹⁷

Moreover, the Commission’s price cap regime reduces any incentive to assign excessive costs to non-competitive services since price caps “sever[ed] the direct link between regulated costs and prices.”¹⁸ Thus, since Frontier is under the Commission’s price cap regime, it already has reduced incentives to shift excessive costs to services that might be considered to be non-competitive. Nevertheless, Frontier will continue to comply with its section 254(k) obligations and will not allocate excessive costs to non-competitive services, as verified by the attached certification. Furthermore, the Commission remains free to investigate Frontier’s compliance with section 254(k).¹⁹ In addition, as of the date of approval of this Compliance Plan, Frontier will designate a single point of contact to ensure that appropriate Frontier employees are aware of and adhere to Frontier’s obligations under section 254(k).

IV. FORBEARANCE TRANSITION SCHEDULE

Frontier intends to implement the forbearance relief granted in the *USTelecom Forbearance Order* as soon as possible. The relief granted by this Order will help Frontier move toward accounting systems that are more in keeping with those used by competitive businesses. To that end, Frontier has already reviewed its accounting systems and cost assignment processes in light of forbearance from the cost assignment rules. Frontier has also reviewed and evaluated the *USTelecom Forbearance Order* with its subject matter experts and expects, for the most part,

¹⁶ See 47 U.S.C. § 254(k).

¹⁷ *In the Matter of Implementation of Section 254(k) of the Communications Act of 1934*, Order, 12 FCC Rcd 6415 (1997).

¹⁸ *USTelecom Forbearance Order*, 28 FCC Rcd at 7649 ¶ 37 (stating “that, ‘because price cap regulation severs the direct link between regulated costs and prices, a carrier is not able automatically to recoup misallocated non-regulated costs by raising basic service rates,’ thus, reducing incentives to shift non-regulated costs to regulated services.”) (citing *Appropriate Framework for Broadband Access to the Internet over Wireline Facilities*, Report and Order and Notice of Proposed Rulemaking, 20 FCC Rcd 14853, at 14925-26 ¶ 133).

¹⁹ See, e.g., 47 U.S.C. § 220(c).

to begin implementing relief immediately upon the Bureau's approval of this Compliance Plan. Forbearance will allow Frontier to discontinue performing certain activities that have no place in today's telecommunications market under the Commission's price cap regime.

Regarding preservation of accounting material and data for future use by the Commission, Frontier's subject matter experts from its finance, legal, compliance and information technology groups will implement measures described above upon approval of this Plan.

Except as otherwise described in this Plan or as may be required by state law, Frontier will: (a) no longer prepare cost allocation results under forbore rule sections 32.23 and 32.5280 and Parts 36, 64, and 69 of the Commission's rules, and will not perform attendant studies used to determine allocation ratios immediately upon the Bureau's approval of Frontier's Compliance Plan; and (b) begin the transition away from the Commission's affiliate transaction rules under forbore rule 32.27 in favor of GAAP (or its successor) accounting for such transactions immediately upon approval of this Plan.

Assuming timely evaluation and approval of this Compliance Plan, Frontier generally expects to implement the forbearance relief from the *USTelecom Forbearance Order* as soon as the end of first quarter 2015.

V. CONCLUSION

Frontier's Compliance Plan as described herein satisfies the conditions that the Commission established in the *USTelecom Forbearance Order*. Frontier requests that the Bureau approve this Plan at the earliest possible date.

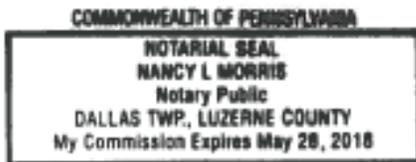
SECTION 254(K) CERTIFICATION

I certify to the best of my knowledge, information and belief, that Frontier Communications Corporation will comply with its obligations under section 254(k) of the Communications Act of 1934, as amended, and Frontier will maintain and provide to the Federal Communications Commission any cost accounting information necessary to establish such compliance if appropriately requested to provide such information.


Jessica Matushek
Director, Accounting

Subscribed and sworn to me, a notary public in and for the State of Pennsylvania and the County of Luzyerne, on this 11th day of March, 2015.

My commission expires on May 28, 2018.




Notary Public