Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

The Minnesota Public Utilities Commission	)	
Petition For Agreement To Redefine The	)	DA 00-2661
Service Area Of Frontier Communications	)	
Of Minnesota	)	

COMMENTS
OF THE
NATIONAL TELEPHONE COOPERATIVE ASSOCIATION

The National Telephone Cooperative Association (NTCA)[1] submits its comments in response to the Federal Communications Commission's ("Commission's" or "FCC's") Public Notice in the above-captioned matter.[2] NTCA urges the Commission to limit its findings in this proceeding to Frontier Communications of Minnesota, Inc.'s (Frontier's) service area in the state on Minnesota. This proceeding should not be viewed as precedent for future petitions to disaggregate the service areas of other rural telephone companies throughout the United States. If Frontier's service area is disaggregated, the Commission should require Frontier to use its existing single study area to determine its universal service support. The splitting of Frontier's single study area into 45 separate study areas should not be used as a vehicle to create new universal service support.

[1] NTCA is a national association of more than 500 local exchange carriers (LECs). These LECs provide telecommunications services to end users and interexchange carriers throughout rural America.

[2] Public Notice: The Minnesota Public Service Commission Petitions for Agreement to Redefine the Service Area of Frontier Communications of Minnesota, CC Docket No. 96-45, DA 00-2661 (released November 29, 2000).

I. Introduction

On September 1, 2000, the Minnesota PUC issued an order concluding that Frontier's service area should be "disaggregated on an exchange by exchange basis as this would allow competitive local exchange carriers (CLECs) which are designated federal eligible telecommunications carriers (ETCs) to receive future federal high-cost funds, if any, for those exchanges in which they serve."[3]

On October 26, 2000, the Minnesota PUC filed a petition, pursuant to section 54.207 of the Commission's rules, requesting the FCC's consent to its proposed alternative "service area"[4] definition for Frontier.[5] Section 54.207(c)(3) of the Commission's rules provide that the FCC may initiate a proceeding to consider a petition to redefine the service area of a rural telephone company within ninety days of the release date of a Public Notice.[6] If the Commission initiates a proceeding to consider the petition, as it has here, the proposed redefinition shall

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[3] *An Investigation into the Merits of Disaggregating the Service Area of Frontier Communications of Minnesota, Inc.*, Order Determining That Frontier's Service Area be Disaggregated, Docket No. P-405/CI-00-79, (Minn. PUC 2000). Western Wireless supported the redefinition of Frontier's service area in proceedings before the Minnesota PUC.

[4] Section 214(e)(5) defines the term "service area" as a "geographic area established by a State commission for the purpose of determining universal service obligations and support mechanisms." 47 U.S.C. § 214(e)(5).

[5] The Minnesota PUC identified that Frontier's study area is comprised of 45 non-contiguous exchanges located throughout Minnesota and concluded that Frontier's service area should be redefined into 45 separate service areas based on those individual exchanges. It reasoned that this redefinition would promote competition by allowing CLECs that are designated ETCs to receive federal high-cost funds to provide service in part or all of Frontier's current service area.

[6] 47 C.F.R. § 54.207(c)(3). The rules require the Commission to issue a Public Notice of any state petition to define a service area served by a rural telephone company to be other than such company's study area. 47 C.F.R. § 54.207(c)(2).

not take effect until both the state commission and the FCC agree upon the definition of a rural service area, in accordance with section 214(e)(5).[7]

II. The FCC Should Not View This Proceeding As Precedent For Future Petitions To Disaggregate Service Areas For Other Rural Telephone Companies.

This proceeding should not be viewed as precedent for future petitions to disaggregate service areas for rural telephone companies. Frontier's service area, with its 45 non-contiguous exchanges, is very different when compared to the more typical rural telephone company which serves a smaller number of contiguous exchanges or fewer non-contiguous exchanges. The Minnesota PUC's interpretation of the public interest standard in 47 U.S.C. §214(e)(2) may also be dissimilar to other state commission interpretations of the standard, particularly given that the statute does not define the "public interest".

Moreover, the economic climate of each rural service area is unique when considering whether competition will benefit the rural community in question. Many rural communities have one bank, one grocery store, and one post office. The idea that more than one local telephone service provider is always desirable may not always be true when confronted with the economic realities of a specific rural community. Competition subsidized through rural high-cost universal service support may actually increase the need for support in the community and diminish the quality of service to the community.[8] Artificially induced competition

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[7] *See* 47 C.F.R. § 54.207(c)(3)(i).

[8] *The Cost of Competition, Paper 3 of the NTCA 21st Century White Paper Series*, by Dale Lehman, p. 13 (December 2000).

in rural study areas, in many instances, serves to undermine the already weak business case for advanced services deployment in many rural study areas by threatening the incumbent rural carrier's revenue base needed to provide services and meet their "carrier of last resort" obligations.[9]

III. If Frontier's Service Area Is Disaggregated, The Commission Should Require Frontier To Use Its Current Single Study Area To Determine Its Universal Service Support

The Minnesota PUC found that the Federal-State Joint Board on Universal Service's ("Joint Board's") concerns "do not preclude the disaggregation of Frontier's service area to the individual exchange area."[10] Specifically the Minnesota PUC found that cream skimming, (a CLEC deciding to provide service in a low-cost exchange in order to receive federal universal service payments based on the higher study area average cost), "does not apply to Frontier at this time because Frontier currently receive does not federal high-cost universal support."[11] In addition, the Minnesota PUC found that Frontier's status as a rural telephone company will remain in effect if its service territory is disaggregated and that the issue of increased administrative expenses for Frontier does not apply at this time.[12]

What the Minnesota PUC has apparently failed to recognize is that its proposed disaggregation may actually facilitate cream skimming, increase

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[9] *Id.*, at p. 3.

[10] Minnesota Petition at p. 9.

[11] *Id.*

[12] *Id.*

Frontier's administrative expenses, and impose additional burdens on the high-cost universal service fund for rural carriers. The 26 exchanges that Western Wireless seeks to serve are the higher cost exchanges in Frontier's existing service territory.[13] If the Minnesota petition is granted, each of Frontier's new 45 service territories may be classified as an individual "study area" under 47 C.F.R. § 54.207(b), and some may qualify for universal service support on an individual study area basis. The advent of additional universal service support to these new smaller study areas may actually create an incentive for competitors to cream skim where presently no such incentive exists. The disaggregation of the service territory may also result in Frontier filing 45 separate cost studies – one for each exchange - in order to determine its universal service support, thereby increasing its administrative expenses. If some of Frontier's new study areas do qualify to receive universal service payments, this may have the effect of placing new pressures on the rural high-cost fund to provide support to all eligible carriers.

If Frontier's service area is disaggregated, the Commission should require Frontier to use its existing single study area to determine its future universal service support and the amount of support transferable to competitors. Limiting Frontier's support based on its existing single study area will allow the FCC to avert creating new opportunities for competitors to cream skim, avoid adding to Frontier's administrative expenses, and prevent imposing additional burdens on the rural high cost universal service fund. The splitting of Frontier's single study

[13] Minnesota Petition at Attachment 3, p. 6.

area into 45 separate study areas should not be used as a vehicle to create new universal service support.

IV. Conclusion

Based on the above reasons, NTCA urges the Commission to limit its findings in this proceeding to the specific facts of Frontier's service area in the state on Minnesota. This proceeding should not be viewed as precedent for future petitions to disaggregate the service areas of other rural telephone companies throughout the United States. If Frontier's service area is disaggregated, the Commission should require Frontier to use its current single study area to determine its universal service support.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, Gail C. Malloy, certify that a copy of the foregoing Comments of the National Telephone Cooperative Association in CC Docket No. 96-45, DA 00-2661 was served on this 12th day of February 2001 by first-class, U.S. Mail, postage prepaid, to the following persons

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