Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Developing a Unified Intercarrier Compensation Regime	)	CC Docket No. 01-92
	)	
	)	

Comments of Frontier Communications On Federal Benchmark Mechanism Amendments to the Missoula Plan

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Before the
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In the Matter of	)	
	)	
Federal-State Joint Board on Universal Service; High-Cost Universal Service Support	)	WC Docket No. 05-337
	)	
	)	

COMMENTS OF FRONTIER COMMUNICATIONS ON FEDERAL BENCHMARK MECHANISM AMENDMENTS TO THE MISSOULA PLAN

Frontier Communications ("Frontier") hereby submits its comments on the proposed amendments to the Missoula Plan to incorporate a Federal Benchmark Mechanism in the above captioned matter pursuant to the Commission's Public Notice DA 07-738 (Feb. 16, 2007). As set forth in its initial and reply comments in this proceeding, Frontier cannot support the Missoula Plan (the "Plan") as it is currently structured. The proposed Federal Benchmark Mechanism ("FBM") does nothing to address the shortcomings of the Plan as identified by Frontier. In fact, the FBM exacerbates several of these shortcomings.

The first shortcoming identified by Frontier is that the Plan places a disproportionate burden of intercarrier compensation restructure on the residential end-user. The FBM would exacerbate this problem by requiring an even greater burden on the Universal Service Fund and end user prices. The Missoula Plan proponents estimate that the cost of the FBM is an additional $806 million. This appears to Frontier to be a heavy price to pay to gain a few additional Plan supporters.

The net impact of the FBM would be to penalize consumers in states that currently have low end user rates. There is no reasonable basis to penalize these customers. Existing rate levels have been set over the course of decades based on a number of factors. One of these factors is the size of the local calling area. It does not make logical sense to force customers with low rates and a small calling area to bear a heavier burden than customers with higher rates and a large calling area. Another of these factors is the efficiency of the serving telephone company. Under rate-of-return regulation, highly efficient and low cost telephone companies are allowed lower rates. It does not make logical sense to force customers who happen to be served by more efficient companies to bear a heavier burden than customers served by less efficient companies. In addition this mechanism, through disproportionate rate increases, would make it harder in today's highly competitive marketplace for efficient companies to compete effectively, compared to less efficient companies whose prices would increase less. This result is illogical and inequitable.

These problems highlight one of the basic conceptual flaws of the Plan. The Plan would sweep away the various state-specific reasons and policies that underlie each state's intrastate access structure by replacing a portion of intrastate access rates with an increased interstate Subscriber Line Charge.[1] In doing so the Plan runs roughshod over the state policies that led to the current situation and instead adopts a one-size-fits-all remedy. The Plan would nullify many past ratemaking decisions by state regulators that focused on specific customer concerns. Frontier recognizes that the current system of intercarrier compensation is broken and requires reform, but it is broken in more than one way and for more than one set of reasons. What may work for some states and some carriers will not work for them all. To the extent that intrastate access charges require reduction, far more flexibility is required than the Plan offers for making up the lost revenue. If some version of the Plan is adopted, carriers should have the flexibility to recover lost access revenues through any revenue-neutral end user rate restructure. The fact that the proponents need a complicated mechanism such as the FBM shows how inflexible the Plan really is.

[1] It is far from clear that the Commission has the jurisdiction, absent statutory changes to the Communications Act, to mandate sweeping changes in intrastate rates and tariffs and to change intrastate revenue and rates to interstate revenue and rates.

A third deficiency identified in Frontier's comments and reply comments is that the Plan is unduly complicated. The FBM makes it even more complicated, to the point of being arcane. There is no justification for the dollar amounts of the benchmarks other than expediency.[2] The three categories of funding and the low rate adjustment appear to be targeted to benefit new supporters of the Plan, not the nation as a whole. For example, the cap on the total of Category B and C funding of $10 million per state under the FBM[3] is clearly targeted to benefit small states, while leaving the customers in large states out in the cold regardless of whether their conditions are similar to customers in small states. Treating customers differently based on what state they live in, regardless of any other factor, does not make logical or policy sense. Similarly situated customers in New York and Vermont should not be subject to different per-customer levels of support for any portion of a reform plan.

A fourth deficiency raised by Frontier is that the Plan's economic assumptions are flawed. The same holds true for the FBM. The true cost of the FBM is not $806 million as stated in the proponents' filing.[4] The additional rate increases required by the Low Rate Adjustment are direct costs to the affected consumers, and at best represent a "wash" against what otherwise would be support requirements caused by the Plan absent the FBM. It is incorrect to treat these proposed mandatory rate increases as "found money." The $806 million figure only describes the additional subsidy requirements caused by the FBM, not the true costs of the FBM to customers.

The FBM does nothing to remedy the other deficiencies identified by Frontier and many other commenting parties: the undue burdens on mid-sized ILECs in competitive situations, the $6 Billion windfall to interexchange carriers with no promise of flow-through to consumers, the

[2] The term used in the proposal is "political feasibility." Proposed Federal Benchmark Mechanism filing, p. 3.

[3] Proposed Federal Benchmark Mechanism filing, p. 6.

[4] Proposed Federal Benchmark Mechanism filing, p. 9.

discrimination against rural price cap carriers compared to rural rate-of-return carriers, a far too quick transition period, and the possibility of gouging by tandem owners.

Accordingly, rather than adopt the Plan as proposed, Frontier continues to urge the Commission instead to take the following actions:

(1) Take steps to eliminate phantom traffic as soon as possible;

(2) Reduce the unfairness of the Plan for mid-sized carriers by eliminating Track II and treating rural carriers with similar cost characteristics the same;

(3) Limit end-user increases under this plan but to the extent it is necessary give the ILECs pricing flexibility to recover lost access revenues not recoverable from the access replacement fund through any revenue-neutral end –user rate restructure; and

(4) Lengthen the proposed transition period, particularly in areas where intrastate access charges are starting from a very high level.

Respectfully Submitted,

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Date: March 28, 2007

CERTIFICATE OF SERVICE

I, Gregg C. Sayre, do certify that on March 28, 2007, the aforementioned ***Comments of Frontier Communications on Federal Benchmark Mechanism Amendments to the Missoula Plan*** were electronically filed with the Federal Communications Commission through its Electronic Comment Filing System and were electronically mailed to the following:

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By: ______________________________
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