



FRONTIER COMMUNICATIONS TESTIMONY ON HOUSE BILL 5476 and ENERGY COMPETITION IN MICHIGAN

Thank you Chairman Nesbitt and the members of Energy and Technology Committee for the opportunity to talk with you in regards to House Bill 5476 and energy competition in Michigan.

Frontier Communications and the telecommunications industry in general power its services with commercial electrical power. Without commercial power, voice, data, and video services as well as 911 public safety systems simply do not work. While reliability is critical, the financial implications to Frontier as a cost component of our service delivery are huge.

Frontier purchases power from 23 different power companies in Michigan. Frontier spends in excess of \$6.3 million annually with these 23 companies. Frontier receives 1,579 invoices per month from these 23 companies. Frontier purchases over 50M KWH from these 23 companies. Two companies, DTE and Consumers Energy, represent nearly 80% of our consumption and cost of energy resources.

The concept of aggregation is very important to Frontier. Unlike many other large industrial users of energy, Frontier's operations are not centralized in a large or a few large complexes with limited energy service addresses. Frontier has over 1,600 locations or addresses in Michigan where power is required to deliver voice, data, video, and public safety services to consumers, commercial, wholesale, and government customers. We are not allowed to aggregate electrical usage from these multiple locations from the provider to maximize cost savings or minimize administrative processing. In the competitive telecommunications market, the ability to meet customer needs at the lowest price is critical to market performance. These same companies are our customers and they demand aggregated billing and volume discounts for our services.

Frontier advocates that aggregation concepts and reasonable rate design are critical to the continued expansion of broadband services throughout Michigan. Broadband, regardless of the plant delivery mechanism being copper pairs, coaxial cable, fiber optics, or wireless technology, all require increased levels of electrical power to increase access (availability) and quality (speed).

Frontier does not believe the MPSC will approve a rate design and ultimately rates which take into account large industrial complexes with decentralized power needs. Frontier generally supports energy competition in Michigan and House Bill 5476. However, rather than simply "exploring" different methods for encouraging energy intensive industrial customers to locate or maintain operations in Michigan, Frontier advocates that HB5476 be modified to allow aggregation for telecommunications providers and that they rate design for aggregation is no different than those industrial customer with a single service location.

Thank you for the time to talk with you today.

Bob Stewart
Frontier Communications