BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Joint Application of Verizon Communications Inc. and Frontier Communications Corporation For An Order Declining to Assert Jurisdiction Over, or, in the Alternative, Approving the Indirect Transfer of Control of Verizon Northwest Inc.

Docket No. UT-090842

PUBLIC COUNSEL'S RESPONSE TO JOINT APPLICANTS DATA REQUEST NO. 96

Request No:	96
Directed to:	Public Counsel
Date received:	November 4, 2009
Prepared by:	Trevor R. Roycroft
Date prepared:	November 12, 2009

Joint Applicants Data Request No. 96

On pages 91-93 of the Testimony, Dr. Roycroft identifies conditions he believes should be placed on the transaction. Please identify each of the recommended conditions and, for each one, please identify the specific "harm" that each condition is meant to address.

RESPONSE:

Dr. Roycroft's recommendations address both risks and potential harms, and provide a mechanism to establish a means of quantifying Frontier's claims regarding benefits of the merger. Below are listed each recommended condition and, in italics, an explanation of the harm it is meant to address.

- Given the timing of Frontier's debt financing, it will be March or April of 2010 before this Commission can know the cost at which Frontier secures the necessary debt. As discussed above, the Merger Agreement contains a provision that allows Frontier to proceed with the transaction even if the cost of debt is above 9.5%. As a preliminary requirement to enable even the conditional approval of the merger, Frontier should demonstrate to the Commission that it has not financed its new debt at a rate above 9.5%. Once Frontier secures the necessary debt financing, it should file a report summarizing the results with the Commission.

  This recommendation addresses financial risk associated with the proposed transaction.

[Public Counsel's Response to Joint Applicants Data Request No. 96 (continued)]

- Verizon should commit to modifying the Merger Agreement to eliminate the "Required Payment Amount" provision that frees Verizon from any burden of regulatory costs associated with the approval of the merger in Washington.

  This recommendation addresses risks and harms associated with the performance of replicated systems, and the condition of Verizon's outside plant.

- Verizon should be required to create an archive of customer records that will be maintained for 12 months following the closing of the merger.

  This recommendation addresses risks and harms associated with the performance of replicated systems.

- Verizon should establish a fund to insure the condition of its outside plant in Washington. The amount of the fund should be set at $40 million. If Verizon chooses, it can seek adjustment to the fund size through a third-party audit which addresses the condition of Verizon's outside plant in Washington. Problems with outside plant that are identified as a result of the audit should be remedied at Verizon's expense.

  This recommendation addresses risks and harms associated with the condition of Verizon's outside plant.

- Verizon should face penalties of up to $7.7 million per year associated with the performance of the replicated systems that it supplies Frontier.

  This recommendation addresses risks and harms associated with the performance of replicated systems.

- Frontier should commit to making broadband services available in 100% of its wire centers, and to 90% of its Washington customers by the end of 2013. Frontier should expand broadband availability to 100% of its customers by 2015.

  This recommendation addresses Frontier's claims regarding the broadband benefits of the transaction.

- Frontier should deploy and promote broadband services so that, by the end of 2013, at least 90% of its customers can achieve download speeds of 3 Mbps; 75% of its customers can achieve download speeds of 6 Mbps; and 50% of customers can achieve download speeds of 10 Mbps.

  This recommendation addresses Frontier's claims regarding the broadband benefits of the transaction.

[Public Counsel's Response to Joint Applicants Data Request No. 96 (continued)]

- To achieve these broadband objectives, Frontier should commit to exceed Verizon's baseline level of capital investment by at least $89 million during the period ending December 31, 2013, or by an amount sufficient to meet the broadband objectives.

  This recommendation addresses Frontier's claims regarding the broadband benefits of the transaction.

- Frontier should commit to offer broadband services at prices that do not exceed those currently offered by Verizon for 1 Mbps and 3 Mbps services, i.e., Verizon's advertised prices for 1 Mbps and 3 Mbps service (respectively, $19.99 per month and $29.99 per month) should be offered by Frontier for a period of 24 months following the merger.

  This recommendation addresses Frontier's claims regarding the broadband benefits of the transaction as well as the risks associated with Frontier's broadband pricing strategies.

- Frontier should not impose its broadband "download cap" in Washington.

  This recommendation addresses Frontier's claims regarding the broadband benefits of the transaction. It also addresses the risks associated with Frontier's broadband pricing strategies.

- Frontier should provide individual written notice to its customers regarding the merger, and should notify customers of any change in the services as a result of the merger. Changes in billing format should also be clearly explained to consumers, both in writing, and through a web-based tutorial.

  This recommendation addresses risks and harms associated with the performance of replicated systems, and with consumers' ability to fully assess their services.

- Frontier should not be allowed to migrate any Verizon customer to a Frontier plan that either increases rates, or diminishes the level of service. Washington consumers should experience a rate freeze for a period of 24 months.

  This recommendation addresses risks and potential harms associated with Frontier's pricing strategies.

- Consumers should be allowed to take a "fresh look" at their purchases, including those which have term contracts with Verizon. Early termination charges should be waived for a period of 90 days following the merger, and the long-distance PIC charge should also be waived for Verizon long-distance customers who select a long-distance provider other than Frontier.

  This recommendation addresses risks and potential harms associated with Frontier's pricing strategies.

[Public Counsel's Response to Joint Applicants Data Request No. 96 (continued)]

- Thirty days following the cutover of any replicated systems by Verizon, Verizon should provide a status report on the performance of the replicated systems. The report should identify what systems have been cut over, and whether any problems have occurred with the cutover. The report should specifically address the cutover to replicated 911 systems, and how these systems perform, and any problems that have occurred with 911 systems. Verizon should continue to issue monthly reports on the performance of all replicated systems for the first 12-month following the closing.

  This recommendation addresses risks and potential harms associated with the performance of replicated systems.

- Verizon should be required to notify all interested parties of the plans associated with 911 system replication, results of testing replicated 911 systems, and the date on which the cutover takes place.

  This recommendation addresses risks and potential harms associated with the performance of replicated systems.

- Frontier should be required, for a period of four years following the closing, to submit quarterly reports on the integration of business and repair office operations and billing systems to the Commission.

  This recommendation addresses risks and harms associated with the performance of replicated systems. It also addresses risks and potential harms associated with service quality.

- Frontier should be required, for a period of four years following the closing, to submit quarterly reports on any consolidation of network operations, and staffing levels associated with network operations in Washington.

  This recommendation addresses risks and harms associated with the performance of replicated systems. It also addresses risks and potential harms associated with service quality.