

ISSUED: January 8, 2010

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1431

In the Matter of

VERIZON COMMUNICATIONS INC. and
FRONTIER COMMUNICATIONS
CORPORATION

Joint Application for an Order Declining to Assert
Jurisdiction, or, in the alternative, to Approve the
Indirect Transfer of Control of VERIZON
NORTHWEST INC.

RULING

**DISPOSITION: BENCH REQUESTS ISSUED; RESPONSE DATE
AND PROCEDURES ESTABLISHED**

On December 17, 2009, the Applicants, Commission Staff, and a majority of the intervening parties to the proceeding submitted Joint Testimony in support of the Stipulation filed with the Commission on December 4, 2009 (Global Stipulation).¹

The Joint Testimony acknowledges at page 6, lines 12-18, that the Commission has particular interest in four areas, including Frontier's financial ability post-transaction and Frontier's deployment of broadband services. However, upon review of the testimony provided in response, the Commission is still concerned that it has insufficient information upon which it might be able to conclude that the Applicants have met the "no harm" standard required for approval of the Stipulation in its totality. In order to provide the Commission with a clearer understanding of the possible scenarios which the transferee might encounter, the Applicants shall submit responsive information in the form of sworn testimony to the following requests:

1. For the Company pre-transfer and post-transfer, please provide annual *pro forma* financial statements (balance sheets, income statements, cash flow statements, and statement of shareholder's equity) covering the years 2010, 2011, 2012, and 2015 with annual totals where appropriate, in electronic format with formulae and cell references intact. Please provide standard ratio calculations (e.g., free cash flow, debt to equity ratio, earnings per share, etc.) and include a discussion of the relative likelihood of the

¹ Non-signatories to the Global Stipulation and Joint Testimony interposed no objections to either submission.

event and the financial condition of the Company assuming the event occurred under each of the following assumptions:

- a. Three different scenarios wherein recurring future annual national access line losses from mid 2009 in each projected year equals 4%; 8%; and 12%.
- b. Increased capital expenditure on DSL from \$10 million to \$25 million in Oregon.

Please list all assumptions made in this model (e.g., cost per line for deploying DSL, DSL take rates, and associated revenues.

Please re-run the scenarios A and B assuming the following:

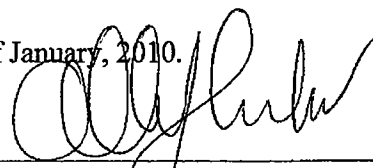
- c. The cost per line for deploying DSL across Frontiers' service territory is 10% and 20% higher as well as 10% and 20% lower than originally assumed.
- d. The take rates for DSL are 10% higher and 10% lower than originally assumed.

2. With regard to proposed condition # 14:

- a. Explain why it is reasonable to exclude certain Verizon exchanges and resulting customers from being assured of having access to broadband services.
- b. Provide estimates of the additional costs Frontier would incur if the broadband condition was as proposed with the additional requirement that all 22 wire centers and the Scholls, Dayton, and Banks wire centers each had no less than 40% of households with broadband available at no less than 1.5 Mbps download speed within two years.
- c. Provide estimates of the additional costs Frontier would incur if the broadband condition was as proposed with the additional requirement that all 22 wire centers and the Scholls, Dayton, and Banks wire centers each had no less than 60% of households with broadband available at no less than 1.5 Mbps download speed within two years.
- d. Please provide estimates for (b) and (c), assuming broadband available at no less than 3 Mbps download speed within two years.

The sworn data responses shall be filed no later than January 15, 2010. To the extent that the responses are deemed by the Applicants to be confidential in nature, the terms and conditions of Superseding Highly Confidential Protective Order, Order No. 09-273, entered July 17, 2009, shall apply.

Dated at Salem, Oregon, this 8th day of January, 2010.



Allan J. Arlow
Administrative Law Judge