

**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

**JOINT APPLICANTS
RESPONSE TO BENCH REQUEST
NO. 1**

Redacted

BR 1:

The Commission recently learned that Verizon has altered the terms and conditions of its internet service offerings to Washington consumers. Specifically, according to a recent posting on Verizon's website <http://www22.verizon.com/residential/wifi>, and a letter sent to Internet consumers, Verizon WiFi (which is currently provided free to existing and future Verizon Internet consumers) will not be available after March 26, 2010, in a number of states including Washington.

In light of this announcement, please respond to the following questions no later than April 5, 2010:

1. How, if at all, will Verizon's action impact the value of the property to be transferred to Frontier?
2. To what extent, if at all, will there be attrition of current Verizon Internet or bundled Voice and Internet customers due the limitation of service?
3. If there are anticipated impacts on the value of the property to be transferred or if there is anticipated attrition of current customers, how will that change the analysis of the "no harm" standard as articulated by Verizon.¹

Response:

The value of the transaction is unaffected. This feature was first introduced in late July 2009 – several months *after* Frontier and Verizon reached agreement on the terms of the Transaction. As an ancillary benefit of particular FiOS and DSL packages, Verizon provides customers the option to download a software application allowing them to access the internet in certain WiFi hotspots. Those WiFi hotspots are part of a third-party's network of hotspots – not Verizon's - and Verizon has contracted with that provider to provide this service over the third-party network.

Verizon WiFi is not a standalone service and produced no revenue. This feature is used by much less than 1% of Verizon WA customers – only **[Begin Confidential] xxxx [End Confidential]** customers have even downloaded the software application required to use the service, and it is fair to conclude that some smaller number of those customers actually use the WiFi service.

¹ Verizon Post-Hearing Brief at 5.

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Frontier and Verizon do not expect that attrition of current Verizon FiOS or DSL customers will result from the discontinuation of the WiFi service. Customers purchase wireline broadband for wireline broadband use in their home or business. As noted above, the WiFi ancillary service has only been available for approximately eight months and Verizon does not believe customers purchased its wireline broadband packages in order to obtain access to WiFi hotspots, which are widely available both as standalone services and as part of other wireless packages from wireless companies. As a general matter, there is also an increasing trend for companies (like Starbucks or McDonald's) to provide WiFi access for free rather than for users to pay daily or monthly fees to third-party providers.

Because there are no "anticipated impacts on the value of the property to be transferred and no anticipated attrition of current customers," the discontinuation of WiFi access, which is not a telecommunications service or rate-regulated service,² should have no effect on the Commission's analysis, and the overwhelming evidence demonstrates that the Transaction is in full compliance with the "no harm" standard.

² As Verizon and Frontier explained in their Post Hearing Brief, one of the factors typically considered by the Commission in telecommunications transactions under WAC 480-143-170 is any impact on rates, terms and conditions of regulated service. *In the Matter of the Joint Application of Verizon Communications Inc. and MCI, Inc.*, Docket No. UT-050814, Order Accepting Settlement, on Condition; Approving Merger, on Condition (December 23, 2005) ("*MCI Order*") at 26.