

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

FRONTIER'S PETITION TO MODIFY
THE JOINT APPLICANTS/STAFF
SETTLEMENT AGREEMENT

I. INTRODUCTION

1. Frontier Communications Northwest Inc. ("Frontier") hereby petitions the Washington Utilities and Transportation Commission ("Commission") to modify the Settlement Agreement ("Agreement") between Staff of the Washington Utilities and Transportation Commission ("Staff") and Frontier in Docket No. UT-090842.¹ Specifically, Frontier petitions for modification due to changing market and operational conditions that encourage the company to explore new options to serve its customers while still operating in the public interest, as explained in further detail below.

II. BACKGROUND

2. On May 29, 2009, Verizon Communications Inc. and Frontier Communications Corporation ("Applicants") filed a Joint Application for an Order Declining to Assert Jurisdiction Over, or, in the Alternative, Approving the Indirect Transfer of Control of Verizon Northwest Inc. Various parties subsequently engaged in settlement discussions, and entered into the Agreement to resolve all issues and expedite the orderly disposition

¹ See "Appendix A," in Final Order Approving and Adopting, Subject to Conditions, Multiparty Settlement Agreements and Authorizing Transaction in Docket No. UT-090842.

of this proceeding.

3. On April 16, 2010, the Commission approved the Agreement, subject to conditions. Frontier now petitions to be relieved of two conditions and to modify another.

III. RELIEF PROPOSALS

Earnings Review

4. Commitment 2 of the Agreement requires that Frontier file an application for an Alternative Form of Regulation (“AFOR”) within five years of closing. The Commission altered the requirement of an AFOR filing to make it optional; however, the Commission also said:

Although it is not stated clearly in the Joint Applicants/Staff Settlement Agreement or testimony supporting the filing, taken together, we interpret this commitment to mean that Frontier will submit to a full earnings review of the company’s operations as part of or coincident to, the submission of an AFOR plan.²

5. In December 2012, Frontier filed a Petition for Competitive Classification of the company in Docket No. UT-121994. During the discovery process in the proceeding, Commission Staff and Public Counsel (as well as all other interveners) were able to review at length Frontier’s intrastate financial information, thus obviating the need for a subsequent earnings review as required by the merger Agreement. Further, the Commission’s decision in that proceeding resulted in many of Frontier’s services as classified as competitive under RCW 80.36.330, thereby eliminating the need for the earnings review.

² Para 131, Order 06 in Docket No. UT-090842

Augmented Service Performance Guarantee

6. Frontier now petitions to be relieved of continuing Commitment 19, its augmented Service Performance Guarantee (“SPG”) as required in the approval Order.³ The Order permitted Frontier to petition for relief from the augmented plan in July 2012, 24 months following close of the transaction. Frontier will continue to offer its Service Performance Guarantee, which credits residential customers \$25, down from \$35 under the augmented SPG, in the event of missed service installation or repair appointments. Frontier would discontinue the offering of alternative service in the event basic service is unavailable as well as discontinue the \$5 credit to customers for any out-of-service condition that exceeds two days. The Agreement and Order stipulated that Frontier must maintain such a program for a minimum of 24 months and could only change the SPG upon petitioning the Commission. Frontier has kept the augmented SPG in place, unchanged, for over 36 months and now seeks relief from continuing the augmented SPG. Customers will still be eligible for the \$25 missed appointment credit as well as prorated credit adjustments for outages greater than twenty-four hours.⁴

Broadband Deployment

7. Frontier committed to building out broadband to ninety-five percent of Frontier’s wire centers and eighty-nine percent of households in Frontier’s service territory in Washington by the end of 2014. Frontier has met and exceeded many of the broadband commitment goals, some of them more than two years before they are due.
8. The company has built out broadband to ninety-five percent of its wire centers, has ensured that more than seventy-five percent of households in its un-served wire centers have access to broadband; has exceeded the ninety percent aggregate household metric for served wire centers (not due until end of 2014); has exceeded the eighty-nine percent aggregate household availability metric for all wire centers (not due until end of 2014); as

³ Para 177, Order 06

⁴ See WN U-17, General and Local Exchange Tariff, Section 2, Original Sheet 22.

well as surpassed the commitment that at least eighty percent of Frontier households in all wire centers have access to a minimum 3Mbps download speed (not due until end of 2014).

9. Frontier has worked to continue to expand broadband availability in its territory and the company has committed to working with the Federal Communications Commission in utilizing Connect America Fund (“CAF”) resources to further build out broadband in un-served and underserved areas. In 2013 and 2014, Frontier expects to spend approximately \$13 million in CAF Phase I funds to connect approximately 15,000 additional households, largely in rural markets.
10. In July 2012, Frontier announced a partnership with HughesNet to provide a new service, “Frontier Broadband”, a satellite-based broadband service with speeds ranging from 5Mbps-15Mbps download, and 1-2Mbps upload. Frontier began offering Frontier Broadband in Washington in November 2012 and the service is available to residential and commercial customers in un-served and underserved areas of the state. Frontier owns the end-to-end relationship with the customer. Orders are taken and processed in the Frontier call centers and installation and maintenance is performed by trained Frontier technicians. Technical support is also provided by Frontier.
11. Frontier specifically asks the Commission to permit alteration of the Agreement to allow the company to recognize Frontier Broadband availability in five specific under-served exchanges in order to meet the eighty-five percent broadband availability in each underserved wire center by the end of calendar year 2013 commitment.⁵ The five exchanges are Entiat, Manson, Newport and Quincy in eastern Washington, and Deming in northwest Washington. The cost to build wireline DSL to enough households to satisfy the broadband expansion commitment is not a prudent infrastructure investment – especially in light of Frontier’s immediately available Frontier Broadband offering. These exchanges currently have various degrees of broadband availability (between 51 and 70

⁵ The Oregon Public Utilities Commission recently approved a similar petition where Frontier utilized HughesNet to satisfy broadband expansion commitments in several wire centers. See Order No. 13 205 issued on June 10, 2013 in Docket No. UM 1431.

percent). Frontier would offer Frontier Broadband for a period of one year in these five areas at the same price point as its DSL-based broadband service. See Exhibit A for a price comparison chart. Frontier would essentially subsidize customers' Frontier Broadband service for one year from date of customer's purchase. The cost of subsidizing customers' Frontier Broadband service in these five exchanges is outweighed by the benefits of reallocating capital elsewhere into the network. Frontier believes redirecting approximately \$5 million into a high priority speed and capacity upgrade project in non-FiOS (DSL) areas, while utilizing the ability to connect customers with Frontier Broadband is a fair and reasonable arrangement that maximizes the overall customer benefit from Frontier's capital investments.

12. Frontier estimates that, in order to meet the broadband expansion commitment using DSL, the company would have to build-out wireline broadband to approximately 2,650 households at a cost of \$5 million. In allowing for a subsidized Frontier Broadband service offering, the Commission would permit customers to utilize faster broadband today for the same price, for one year, instead of customers waiting for several months. In addition, this arrangement would result in several million dollars being invested back into Frontier's network. Some of these projects include upgrading ATM DSLAMs to Ethernet-fed DSLAMs in several different areas, replacing copper with fiber, conditioning lines to maximize speeds, and freeing up ports for additional capacity. Frontier operates in a highly-competitive market and strives to meet the needs of its customers by constantly upgrading its network.

IV. CONCLUSION

13. Frontier should be relieved of the obligation to undergo a *pro forma* earnings review in light of the fact that Frontier's financial records were recently examined by Commission Staff in Docket No. UT-121994. The review undertaken by Staff in Frontier's competitive classification docket should serve as fulfillment of existing commitment No. 2 in the Frontier/Verizon merger docket. A second review of Frontier's earnings will only

consume Staff and Frontier resources that would be better used elsewhere.

14. For over 36 months, Frontier has maintained the augmented Service Performance Guarantee program as agreed to in commitment 19 in the Agreement. Reversion of the augmented program back to the standard SPG will not harm the public as residential and business customers will still have credits available to them in the event Frontier misses an installation or repair appointment.
15. Frontier customer broadband usage is increasing dramatically and the company must keep up with demand for additional bandwidth, shifting costs from expansion to speed and capacity. Frontier Broadband offers an opportunity to satisfy a regulatory commitment while meeting market and consumer demands elsewhere and therefore should be judged in the public interest.
16. Frontier therefore respectfully requests that the Commission modify the Settlement Agreement in this docket to waive the earnings review requirement, revert the enhanced SPG back to original credit levels, and allow a subsidized Frontier Broadband program to count towards meeting the company's broadband expansion commitments in the above-named underserved wire centers.

DATED this 16 of September, 2013.

Frontier Communications Northwest Inc.



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Product	Speed – Satellite	Current Satellite Pricing	Equivalent DSL Product	Speed-DSL	Equivalent DSL Pricing	Price Match Term (1 year from purchase)
Frontier Broadband Core	5Mbps/ 1Mbps	\$54.48	Max	6Mbps/ 1Mbps	\$34.99	\$34.99
Frontier Broadband Core Plus 2-year	10Mbps/ 1Mbps	\$64.48	Ultra	12Mbps/ 2Mbps	\$44.99	\$44.99
Frontier Broadband Core Plus 1-year	10Mbps/ 1Mbps	\$74.48	Ultra	12Mbps/ 2Mbps	\$44.99	\$44.99
Frontier Broadband Advanced	10Mbps/ 1Mbps	\$94.48	Ultra	12Mbps/ 2Mbps	\$44.99	\$44.99
Frontier Broadband Maximum	15Mbps/ 2Mbps	\$124.48	Ultimate	25Mbps/ 3Mbps	\$54.99	\$54.99
Installation Charge – 1-year		\$149.99			\$49.99	Free Install
Custom Install (pole mount)		\$99.99			N/A	\$99.99
30 day money back		Y			Y	Y