RDOF Project Funding Description
Frontier Communications Northwest, LLC

Frontier Communications Northwest, LLC ("FCN") is a wholly-owned subsidiary of Northwest Fiber, LLC dba Ziply Fiber ("Northwest Fiber"). FCN is a member of the Ziply Fiber RDOF Consortium (the "Consortium"). The Consortium was the winning bidder in FCC Auction 904 with respect to a number of Census Block Groups in Idaho, Montana, Oregon and Washington. FCN has been designated as the Consortium member responsible for the winning bids in Washington, Oregon and portions of Idaho. FCN submits this Project Funding Description as part of its Long Form Application in Auction 904.

On May 1, 2020, Northwest Fiber acquired from Frontier Communications Corporation ("Frontier") and Frontier Communications ILEC Holdings LLC, a wholly owned subsidiary of Frontier ("Frontier ILEC", and collectively with Frontier, the "Frontier Entities"), all of the issued and outstanding equity interests of the subsidiaries of Frontier and Frontier ILEC that operated Frontier's communications services business in Washington, Oregon, Idaho and Montana. These subsidiaries are Citizens Telecommunications Company of Idaho, LLC; Citizens Telecommunications Company of Montana, LLC; Citizens Telecommunications Company of Oregon, LLC; and Frontier Communications Northwest, LLC (collectively "Northwest Fiber ILECS").

Northwest Fiber ILECs serve Northwest Fiber's customers in four northwestern U.S. states: Washington, Oregon, Idaho, and Montana. Northwest Fiber has been managing Northwest Fiber ILECs' business since May 1, 2020 when the acquisition was completed. Northwest Fiber controls of all the network operations and assets of the Northwest Fiber ILECs in the four-state territory. Northwest Fiber employs approximately 1,200 employees in the four-state region to help construct, manage and operate the networks and to provide sales and customer services. The Northwest Fiber ILECs have no employees.

The Northwest Fiber ILECs provide residential and commercial communications services over a combined fiber-based and copper-based network under the control and ownership of Northwest Fiber. Northwest Fiber's network passes approximately 1.7 million premises comprised of approximately 1.6 million residential households and approximately 124,000 commercial premises. Northwest Fiber's network includes the Verizon FiOS assets that Frontier acquired from Verizon in 2010. Northwest Fiber has two principal customer categories: residential customers and commercial customers.

Northwest Fiber has already begun to upgrade its core network and overlay copper and near-net premises (i.e. premises located within a short distance of existing Northwest Fiber fiber) with fiber and to make other upgrades and improvements as needed to deliver one-gigabit broadband service across its footprint. Northwest Fiber intends to leverage its Northwest Fiber ILECs' participation in Auction 904 to extend its network upgrade plans into less dense areas.

When Northwest Fiber closed its acquisition of the Frontier Entities, Northwest Fiber's owners intentionally over-capitalized it in order to pre-fund Northwest Fiber's network investment plan. As of September 30, 2020, Northwest Fiber had approximately $240 million of cash on hand. As shown below in its Financial Projections, Northwest Fiber plans to fund its network investment with cash on hand, internally generated cash flow, and Auction 904 subsidies. In addition, it has access to a $100 million-dollar revolving credit facility that is currently undrawn.

Northwest Fiber manages its finances on a company-wide basis. It funds its capital projects in all four states with its cash, general loans and revenues from all four states. Northwest Fiber's debt is not state or company specific but is consolidated at the parent level. Northwest Fiber will treat its Auction 904 construction projects just like it would treat all other network construction projects in its territory. The projected Auction 904 projects as contemplated are approximately 8% of Northwest Fiber's overall network construction plans over this period. The Auction 904 projects will be funded as Northwest Fiber construction projects. Northwest Fiber's operations will generate sufficient cash flow to fund all of its construction projects, operating costs and interest costs during this period. The Auction 904 subsidies will contribute to Northwest Fiber's cash flow and ability to fund Auction 904 construction projects.

Auction 904 Construction Costs

Ziply Fiber RDOF Consortium bid in Auction 904 and was assigned Auction 904 census block groups in Idaho, Montana, Oregon and Washington. In turn, Ziply Fiber RDOF Consortium divided its winning bids among three Northwest Fiber ILEC entities in the four states.

1. [redacted]
2. [redacted]
3. [redacted]
4. [redacted]
5. Frontier Communications Northwest, LLC in Washington

As set forth in the table below, the Northwest Fiber ILECs will receive $5.7 million dollars annually in Auction 904 support over the 10-year support period. Northwest Fiber estimates the Auction 904 annual build costs of the Northwest Fiber ILECs to be approximately $19.9 million dollars over the six-year construction period. Northwest Fiber will fund the annual $14.2 million difference with cash on hand and internally generated cash flow as shown in the attached financial projections.

Legal Entity / State	Annual Support	Total Support	Est Annual Costs	Total Build Costs
[redacted]				
Frontier Communications Northwest LLC / Washington	2,006,601	$ 20,066,010	7,879,687	47,278,121
[redacted]				

Financial Projections

All Northwest Fiber ILEC entities' Auction 904 construction will be planned, engineered, constructed and funded by their parent, Northwest Fiber. Accordingly, the financial projections—including Summary Financials, Balance Sheet and Cash Flows—that follow are for Northwest Fiber including all its subsidiaries.

The Summary Financials show estimated annual CapEx for the seven years beginning 2021 and ending 2027 that totals $1,500 million. As shown in the table above, Northwest Fiber projects $119.9 million of Northwest Fiber ILEC CapEx (Total Build Cost) for Auction 904 construction during the same seven years. Hence, the Northwest Fiber ILECs' projected Auction 904 CapEx is 8.0% of Northwest Fiber's total projected CapEx during the 7-year period. Northwest Fiber projects having sufficient cash to cover its entire CapEx spend (including Auction 904 CapEx spend) over this period as well as fully servicing debt payments and maintaining a positive cash balance.

Summary

Balance

Cash

[redacted]