

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE)
JOINT APPLICATION OF)
FRONTIER COMMUNICATIONS) Case No.
CORPORATION, NEW) 09-454-TP-ACO
COMMUNICATIONS INC. FOR)
CONSENT AND APPROVAL OF)
A CHANGE IN CONTROL.)

DEPOSITION OF
TREVOR R. ROYCROFT, PH.D.

Taken at the offices of
THOMPSON HINE, LLP
41 South High Street, Suite 1700
Columbus, Ohio 43215-6101

on October 29, 2009, at 10:03 a.m.

Reported by: Sara S. Clark, RPR/CRR/CCP/CBC

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1 to consider this to be a deal breaker from the
2 standpoint if it was 10.5 percent, that Frontier
3 would have the ability to back out of the deal.

4 Q. And that wasn't really my question,
5 Mr. Roycroft. What I was asking is a 1-percent
6 swing, so, for example, it could easily be a
7 swing from 8.5 percent to 9.5 percent that we're
8 talking about, not a swing from 9.5 to 10
9 percent, correct?

10 A. Yes.

11 Q. With respect to your response on Answer
12 55, your concern there -- and it's reflected
13 throughout your testimony -- that, in fact, the
14 amount of debt that Frontier's going to take on
15 as a result of this transaction is going to be
16 significant and potentially cause problems for
17 Frontier; is that correct?

18 A. In Answer 55, I'm thinking -- I believe
19 I'm discussing more the relative impact on
20 Verizon's Spinco as opposed to Frontier itself.

21 Q. So with respect to -- you talk about the
22 \$8 billion in debt in the very first sentence.
23 Your position is that this \$8 billion of debt is
24 unfavorable for the Verizon Ohio rate payers; is

1 that correct?

2 A. Yes.

3 Q. And in the next few sentences there, you
4 indicate that with respect to the Verizon
5 stand-alone operations of the Spinco properties,
6 they currently had \$622 million in long-term
7 debt?

8 A. Yes.

9 Q. Would you agree with me that those
10 Spinco operations that Verizon is currently
11 operating in Ohio and the other states, that the
12 revenues and income and cash that is generated
13 from those businesses are also utilized to pay
14 and fund some of the debt by the Verizon
15 Communications parent company?

16 A. Yes.

17 Q. And, in fact, the numbers that you
18 reflected here do not reflect any allocation of
19 the Verizon Communications parent company debt
20 down to the Spinco operations?

21 A. Right. It was my understanding the 622
22 million was a result of Verizon's own allocation
23 of the debt to the Spinco properties.

24 Q. Is it your understanding that it's an

1 allocation, or is it, in fact, the debt that's
2 been secured by those individual operating
3 companies, such as Verizon North that operates
4 in Ohio, Verizon Northwest, that operates in
5 Washington?

6 A. I'd have to double check. I don't
7 recall exactly the process that resulted in the
8 622 million.

9 Q. With respect to the Verizon operating
10 companies that have their own debt, Verizon
11 Northwest, I'll represent to you, does have some
12 debt on its books, Verizon North, the other
13 entity, to the extent those entities are
14 transferred over to Frontier as subsidiaries of
15 Frontier, the debt, in fact, that those
16 individual operating entities have will remain
17 exactly the same pre and post transaction; will
18 they not?

19 A. Yes.

20 Q. So with respect to the comparison that
21 you're making here with respect to the Spinco
22 properties taking on additional debt, what
23 you're really doing is taking the debt that
24 Frontier Communications, the parent company, has

1 and allocating that down to the Spinco

2 properties and the Ohio rate payers?

3 A. Yes. It's a process such as that within

4 the context, however, of Verizon -- the

5 integrated Verizon today having a very different

6 debt structure than the existing Frontier.

7 Q. Do you have any understanding with

8 respect to what the debt levels are of Verizon

9 Communications, the parent company?

10 A. I don't know if I have a dollar amount.

11 The debt/equity ratio is approximately 53/47.

12 Q. So with respect to the aggregate amount

13 of the debt that Verizon Communications has, you

14 don't know --

15 A. I don't know that number off the top of

16 my head.

17 Q. Have you completed any review that tried

18 to differentiate or allocate the Verizon

19 Communications, the parent company, debt between

20 the wireline business operations and the Verizon

21 wireless operations?

22 A. No.

23 Q. Turning over to Question 61, with

24 respect to the table that you included there,

1 service available.

2 A. Yes.

3 Q. Is that correct?

4 Are you aware of any national ILEC in
5 the country that is currently achieving these
6 levels of broadband availability at these
7 speeds?

8 A. Currently, no, but this is an objective
9 for the end of 2013.

10 Q. So have you undertaken any kind of
11 review or analysis of the feasibility and cost
12 of achieving this objective for Ohio?

13 A. No, I haven't, but my familiarity with
14 the technology and the cost associated with the
15 technologies that are needed indicates that,
16 given the synergy sharing that I have
17 identified, as well as the funds for network
18 improvement that I've identified. I believe
19 that these type of objectives are not beyond
20 Frontier's capabilities.

21 MR. SAVILLE: I think what I'd like to
22 do at this point if we could maybe just take
23 five minutes, Chris and I can talk. I may be
24 done here and then we can figure out where we're