BEFORE THE

WASHINGTON UTILTIES AND TRANSPORTATION COMMISSION

UT – 090842

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.	)

REBUTTAL TESTIMONY OF

KIM L. CZAK

ON BEHALF OF

FRONTIER COMMUNICATIONS CORPORATION

NOVEMBER 19, 2009

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I. INTRODUCTION AND SUMMARY

Q. Please state your name, occupation and business address.

A. My name is Kim L. Czak. I am the Assistant Vice President-Carrier Services of Frontier Communications Corporation ("Frontier"). My business address is: 180 South Clinton Avenue, Rochester, NY 14646.

Q. Please provide a brief history of your educational and employment background.

A. In 1990, I received a Bachelor of Science degree in Electrical Engineering from Clarkson University. I joined Frontier that same year, beginning in the switch-engineering group. In 1994, I received a Master of Business Administration degree from Rochester Institute of Technology. I joined Frontier's carrier relations group in 1996, becoming Director of Carrier Services in 2001. I achieved my current position as Assistant Vice President-Carrier Services in 2008.

Q. What are your responsibilities as Assistant Vice President-Carrier Services for Frontier?

A. I am responsible for managing Frontier's wholesale service support and provisioning to competitive local exchange carriers ("CLECs"), interconnection and interconnection negotiations, vendor management, interexchange carrier support and access billing, dispute resolution, and wholesale financial analysis and reporting. I have managed the wholesale operations since 2001 and been a part of the Carrier Services group since 1995.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to the direct testimonies of William Solis and Michael D. Pelcovits on behalf of Comcast Phone of Washington, LLC d/b/a Comcast Digital Phone ("Comcast"); James Huesgen and Douglas Denney on behalf of Integra Telecom, LLC ("Integra"); and William Weinman, Robert Williamson and Rick Applegate on behalf of Commission Staff ("Staff"), to the extent wholesale issues are raised in their testimony.

Q. Please summarize your rebuttal testimony.

A. My rebuttal testimony will show that:

- Frontier has extensive experience in providing service to CLECs like Comcast and Integra, and provides wholesale services to many CLECs in states other than Washington.
- The proposed transaction is very different from prior transactions involving FairPoint and Hawaiian Tel, contrary to the direct testimonies of Mr. Solis, Dr. Pelcovits, and Mr. Huesgen, Mr. Williamson and Mr. Applegate. Frontier understands that CLECs may have concerns about any transaction that involves the transfer of operations from one incumbent local exchange carrier ("ILEC") to another. However, the proposed transaction between Frontier and Verizon Communications, Inc. and Verizon Northwest Inc. (collectively "Verizon") has been structured to avoid the difficulties and problems FairPoint Communications, Inc. ("FairPoint") and Hawaiian Telecom, Inc. ("Hawaiian Tel") encountered, which arose from cutovers to new and deficient operational support systems. Significantly, Verizon will have the replicated systems

operational for at least 60 days before closing and Frontier will continue to use these operational replicated systems, as well as follow the Verizon processes, using current Verizon employees with experience with those systems and processes to serve CLECs in Washington after the closing of the proposed transaction. The continued use of the Verizon systems and personnel will result in at least the same quality of services and support that those CLECs receive today.

- Frontier will also honor and extend all of the Verizon Interconnection Agreements ("Verizon ICAs") and other wholesale commercial arrangements in place with CLECs in the Washington service area, including the rates contained therein, following the closing for the longer of the terms of those ICAs or commercial arrangements or one year from the date of closing. In other words, there will be no adverse impact on CLECs.
- While Mr. Weinman and Mr. Williamson of Staff recognize Frontier will use a replication of the existing Verizon system rather than cutover to a new system, the direct testimonies of Mr. Solis and Dr. Pelcovits on behalf of Comcast and Mr. Huesgen and Mr. Denney on behalf of Integra are based on fears of a cutover to new systems. Comcast and Integra fail to recognize that Frontier will use Verizon's existing wholesale operational support systems and resources, without any cutover to new systems as part of the closing of this transaction. Following the transaction, CLEC orders, like Integra's and including Comcast's limited subset of order types associated with porting telephone numbers, directory listings and interconnection trunks, will be processed in the same manner as they are today, using the systems employed by Verizon today and drawing from the experience of current Verizon

employees. The wholesale support systems that will be acquired by Frontier from Verizon will have been in full commercial operation for no less than 60 days prior to closing.

- Integra (Huesgen, p. 10) has raised issues regarding inadequate wholesale service quality it claims to have experienced with Verizon starting June 2008 when Verizon transferred its pre-order, order and provisioning support for the Verizon West region from Idaho to the Virginia National Markets Center ("NMC"). Despite the fact that the current transaction is not like the former realignment, Integra asserts that the same or even more issues might be inherent in this transaction. Integra also complains about Verizon halting the Change Management Process ("CMP") in January 2009, and alleges that Verizon has ceased working on dozens of OSS changes that had been requested by CLECs and determined to be feasible by Verizon. Frontier strongly believes that this proceeding is not the appropriate forum to resolve ongoing interconnection disputes. Frontier is hopeful that it can work cooperatively with Integra to address its concerns after the closing of the proposed transaction.
- Integra witnesses Mr. Huesgen (at page 7) and Mr. Denney (at page 11) and Staff witness Mr. Applegate (at page 9) argue for Commission oversight and involvement in service quality reporting accompanied by self-executing remedies. Frontier has already committed to continuing the reporting of the service quality measures contained in the Carrier-to-Carrier Guidelines Performance Standards and Reports in Washington from the Joint Partial Settlement Agreement ("JPSA") that Verizon voluntarily makes available to the CLECs today. Going beyond this voluntary reporting and opening a docket to consider imposition of mandatory service quality

reporting, in addition to imposition of self-executing remedies, shows a clear misunderstanding of the FCC's Section 271 approvals and the underlying purpose of a performance assurance plan. As stated above, Frontier strongly believes this transaction approval process is not the appropriate forum to resolve Verizon and the CLEC's ongoing interconnection disputes and most certainly is not the place to prematurely conclude that a service quality performance assurance plan with self-executing remedies is required for Frontier. Nevertheless, Frontier will not object to participation in a commission docket to evaluate the need for wholesale service standards for the various service metrics in the JPSA if the Commission finds this type of proceeding necessary.

- Mr. Huesgen (at page 6) also seeks requirements that i) one-time transfer, branding, transaction costs and increases to overall management costs as a result of the transaction should not be part of wholesale service rates; ii) that no wholesale or special access service should be discontinued nor have its rates or structure changed; iii) that no new rate elements or charges should be introduced; iv) that CLECs should be allowed to continue their existing ICAs, whether or not the initial or current term has expired; v) that CLECs can use their pre-existing ICA, including agreements entered into with Verizon Northwest, as a basis for negotiating a new agreement; and vi) that no impairment filing nor Section 10 forbearance filing can be made--all for a period of three years following the close of the transaction. Frontier has already agreed that it will not seek to recover through rates any transaction costs associated with this transaction and that it intends to honor the ICAs, including the rates contained therein, and other commercial arrangements following the closing for the longer of the terms of those ICAs or one year from the date of closing. These commitments adequately address the CLECs' price stability issues and other concerns.

- Mr. Huesgen (at page 7) and Mr. Solis (at pages 35-36) advocate for a number of restrictions related to: escalation procedures; contact lists and account manager assignments; wholesale business information and practices to be followed in Verizon's CLEC manual, industry letters and the Change Management Process; continuation of the CLEC User Forum; training and education on the OSS without charge to the CLEC; and certain staffing levels and experience of employees. Frontier suggests that these conditions are not topics of regulatory concern, and would inappropriately preempt the management prerogative to run the business in the best interests of customers, including wholesale, employees, and shareholders.
- Mr. Solis notes in his testimony (at pages 30-31) that Comcast's goal in this proceeding is to assure that the status quo is maintained with respect to ordering, provisioning and maintenance processes. This should be the goal of all parties in examining this transaction. The proposed transaction between Frontier and Verizon is not an appropriate venue for Comcast, Integra, or others to seek additional benefits and concessions that would not be available without this transaction. Further, the Commission's ongoing jurisdiction makes Comcast's proposed future restrictions and guarantees and Integra's request for enforceable service quality performance standards and related self-executing remedies unnecessary and inappropriate.

Q. How is your rebuttal testimony organized?

A. Section II of my testimony will respond to the wholesale conditions identified by Staff. Section III will describe some of Frontier's prior experience with completing substantial acquisitions and providing wholesale services to CLECs, which will help to put the proposed transaction in perspective. Section IV will explain the process by which Verizon will provide to Frontier a fully operational wholesale customer support system and Frontier's subsequent use of that system. In this section, I also address the mischaracterization by Comcast, Integra, and Staff of the proposed transaction, and explain the significant differences from the FairPoint transaction. I also address Mr. Huesgen's concerns about the size and experience of Frontier in offering wholesale services. Section V of my testimony reiterates and confirms the prior statements made by Frontier in this proceeding that the ICAs and commercial arrangements, processes and systems that Verizon has in place to serve CLECs, such as Comcast and Integra, will remain in place at the closing of the proposed transaction. Section VI will respond to other specific recommendations and assertions made by Mr. Solis, Dr. Pelcovits, Mr. Huesgen, Mr. Denney, Mr. Williamson and Mr. Applegate. Section VI sets forth my conclusion and recommendation for the Commission to approve this transaction.

II. <u>FRONTIER RESPONSE TO COMMISSION STAFF'S RECOMMENDED WHOLESALE CONDITIONS</u>

Q. Has Staff provided a list of recommended wholesale conditions?

A. Yes. As summarized in the testimony of Mr. Weinman (p. 26-27), Mr. Williamson recommended wholesale conditions to mitigate risks associated with a transition that may occur at least one year following close of the transaction from the replicated Verizon OSS to Frontier's OSS. Also, as summarized in Mr. Weinman's (p. 28) testimony, Mr. Applegate recommended conditions to ensure the continued availability of existing interconnection agreements and wholesale service offerings.

Q. Does Mr. Williamson recommend conditions related to the mitigation of risks associated with that eventual conversion from the replicated Verizon OSS to Frontier's OSS?

A. Yes. Mr. Williamson (p. 22-23) makes three recommendations with respect to the eventual conversion from the replicated Verizon OSS to Frontier's OSS. The first condition is that, if the transition occurs within the first three years following close, Frontier must engage a third-party to audit the OSS used to provide wholesale and retail service. The second condition is that at least sixty (60) days prior to cutting over any OSS, Frontier must provide notice to CLECs of any changes in functionality and e-bonding. The third condition is that Frontier must maintain the functionality performance and e-bonding at a level that at least equals that of Verizon Northwest pre-transaction.

Q. Does Frontier object to Mr. Williamson's recommendation for a third-party audit if Frontier converts to a different OSS within three years of closing?

A. Yes. In his rebuttal testimony, Mr. McCarthy explains in more detail why a third-party audit is not necessary. As Mr. McCarthy has explained, Frontier does not have a plan or timeline for integrating the Verizon operations support systems used to serve customers in Washington with the Frontier operations support systems. Frontier has committed that this integration or transition will not occur for at least one year following the closing of the transaction. In the event that Frontier plans to transition from the Verizon support systems to Frontier's legacy systems, Frontier will agree for a period of three years after closing of the proposed transaction to prepare and submit a detailed operations support system integration plan to the Staff. Frontier's integration plan will describe the operations support system to be replaced, the surviving operations support system, and why the change is being made. Frontier will share this information with the CLECs to the extent any wholesale systems or processes will be converted. The preparation and submission of this detailed operations support system integration plan will provide the Commission and CLECs with the assurance that Frontier has developed a detailed and thorough plan to mitigate the risks associated with the transition from the Verizon operations support systems to Frontier's operations support systems in the future.

Q. Does Frontier object to Mr. Williamson's recommendation that, at least 60-days prior to the transition from Verizon's replicated OSS to Frontier's system, it will be required to provide notice to CLECs of any changes, detailing the specific functionality and providing any necessary information to enable e-bonding?

A. No. As explained above, Frontier does not object to providing such notice to CLECs at least 60 days prior to conversion from the Verizon OSS to Frontier's own systems.

Q. Does Frontier object to a requirement that it must maintain functionality performance and e-bonding at a level that at least equals what Verizon Northwest has been providing pre-transaction?

A. No. As I explain in more detail below in responding to Comcast and Integra's concerns. Frontier does not object and agrees to maintain the functionality and performance of Verizon's current e-bonding for CLECs.

Q. What are the conditions recommended by Mr. Applegate to ensure the continued availability of existing interconnection agreements and wholesale service offerings?

A. Mr. Applegate makes two recommendations (p. 5 and 9). The first condition is that Verizon Northwest must continue to offer the current interconnection and wholesale service offerings of Verizon Northwest for three years following the close. The second condition is that Frontier Northwest must participate in a Commission docket to set wholesale service standards for the various metrics contained in the JPSA. Mr. Applegate's recommendation is that the parties in the docket review the current standards and explore the merits of setting service metrics and self-executing remedies.

Q. Does Frontier object to Mr. Applegate's recommendation that it be required to continue to offer the current interconnection and wholesale service offerings of Verizon Northwest for three years following close of the transaction?

A. Yes, Frontier objects to a three-year extension of interconnection agreements. There is neither a reasonable basis to impose new restrictions or to extend existing agreements for such a long period. Frontier will honor all ICAs and other commercial agreements with CLECs and including prices, terms, and conditions for the longer of: (i) the term of those agreements; or (ii) one year after closing of the proposed transaction. The fact that a transaction is pending does not constitute an appropriate basis for other parties to leverage additional benefits and concessions and unilaterally reopen all existing agreements. A one-sided across-the-board extension of these agreements (CLECs could terminate but Frontier could not) would provide an advantage to CLECs based simply on the fact that a transfer of ownership is proposed.

However, to allay concerns about the proposed transaction disrupting CLECs' business, Frontier will agree to maintain all current Verizon ICAs and commercial agreements (i.e., line sharing agreements, Verizon Advantage agreements, etc.) with CLECs for the longer of: (i) the period of time that those ICAs and other agreements would have been binding; or (ii) one year from the date of closing of the transaction. This one-year (or longer) period will further assure an uninterrupted changeover from Verizon to Frontier and provides a balanced and reasonable added assurance to the Commission and CLECs in Washington.

Q. Does Frontier object to the second condition recommended by Mr. Applegate, that Frontier be required to participate in a Commission docket to set wholesale service standards for the various metrics contained in the JPSA?

A. While Frontier does not believe that this condition is necessary, it will not object to participating in a proceeding if the Commission initiates a proceeding. Frontier has agreed to continue to track and report the wholesale service metrics in the JPSA that Verizon currently reports. Frontier is also willing to provide the reported information to the Commission. Based on this reported information, the Commission and CLECs will be able to monitor Frontier's provision of wholesale services after the closing. If a service performance issues arises, which Frontier does not expect, the Commission has the existing regulatory authority to initiate an investigation and determine what, if any, additional service requirements should be implemented.

III. FRONTIER HAS HAD SUBSTANTIAL EXPERIENCE COMPLETING LARGE ACQUISITIONS AND PROVIDING SERVICES TO CLECS

Q. Please respond to Comcast's, Integra's and Staff's concerns regarding Frontier's ability to accomplish the proposed transaction and provide service to competitive local exchange carriers.

A. Mr. Solis, (at pages 6-7) Dr. Pelcovits, (at pages 7-9) Mr. Williamson (at pages 11-12) and Mr. Huesgen (at page 15) raise concerns that the proposed transaction between Frontier and Verizon is likely to be beyond the capability of Frontier because of the scale of the Verizon properties involved in the transaction. However, these concerns are not justified. As further explained by Mr. Daniel McCarthy in his Direct and Rebuttal Testimonies, Frontier will continue to be financially strong following the closing of the proposed Verizon transaction. In fact, its financial position will be improved. By deleveraging its balance sheet and by decreasing both its per-share dividend payout and dividend payout ratio, Frontier will emerge from this transaction as a stronger, more stable carrier with a financial structure and level of cash flow that will enable it to make investments in the acquired service territories, including in broadband, and to provide even more efficient service in these areas. This is an affirmative benefit to Washington retail and wholesale customers as Frontier's primary focus is the wireline business.

As described in Mr. McCarthy's testimony, Frontier has had significant prior experience in accomplishing substantial acquisitions, including acquisitions involving 750,000 GTE access lines and 1.1 million access lines from Global Crossing, an acquisition that virtually doubled Frontier's size.[1] Frontier's acquisitions involved substantial numbers of CLEC arrangements across different states. Frontier was able to effectively manage and continue to provide services to the wholesale and competitive providers that had pre-existing ICAs and commercial arrangements in place for the operating areas that Frontier acquired.

Q. Please summarize Frontier's prior experience in providing services to CLECs.

A. Frontier has substantial experience in providing wholesale services to CLECs. Nationwide, Frontier has over 400 ICAs with CLECs and commercial mobile radio service providers. Each year, as these ICAs expire or CLECs seek to expand into new areas, Frontier negotiates approximately 150 renewed or new ICAs. With respect to service ordering, Frontier currently processes approximately 50,000 wholesale local service requests ("LSRs") and customer service records requests ("CSRs") and other CLEC orders annually under these ICAs and other agreements. Further, Frontier processes approximately 14,000 access service orders ("ASRs") from CLECs and other carriers each year.

[1] Prepared Direct Testimony of Daniel McCarthy, on Behalf of Frontier Communications Corporation (July 6, 2009) (hereafter "McCarthy Direct"), pp. 44-45.

Q. What Verizon services does Comcast use to provide telephone services in Washington?

A. Comcast is primarily a cable television service provider that is also a registered telecommunications carrier that uses cable television facilities and network to provide broadband services and telephone service.[2] As noted in the testimony of Mr. Solis, Comcast serves customers in Washington, however it is not clear from the testimony how many of those access lines are in Verizon Northwest's Washington service territory versus the service territory of other ILECs, such as Qwest. However, Comcast has acknowledged that, in Washington, Comcast does not purchase unbundled loops from Verizon, does not purchase resold services from Verizon, and does not purchase collocation services from Verizon. Rather, as explained by Mr. Solis and Dr. Pelcovits, Comcast uses primarily local number porting, directory listing, trunking, and network interconnection services provided by Verizon, which limits the scope of Comcast's use of Verizon wholesale service systems.

Frontier has had extensive experience in providing local number porting, directory listing and trunking for CLECs in its existing service territory, including providing these services to Comcast. Frontier has completed over 40,000 line ports during the nine-month period ending September 2009, including a significant number of local number port orders for Comcast in Frontier's existing service territory. During the same time period, Frontier has processed more than 123,000 CLEC directory listings. As a result, it

[2] As a primary cable TV provider, the Commission regulates neither the cable television service nor Internet service provided by Comcast.

is clear that Frontier has substantial experience with local number porting and directory listing orders that are likely to be submitted by Comcast in Washington.

Q. What Verizon services does Integra use to provide telephone services in Washington?

A. Integra Telecom owns and operates its own network offering local phone service, domestic and international long distance, high-speed Internet and data services in 11 Western states, including Washington. Per Mr. Denney, (at page 1) Integra Telecom, Inc. has 7 affiliated companies in Washington: Electric Lightwave, LLC; Eschelon Telecom of Washington, Inc.; Advanced Telecom, Inc.; OCG Telecom Limited, Shared Communications Services, Inc., Oregon Telecom Inc., and United Communications, Inc. Integra operates in both the Verizon and Qwest territories in Washington. In its testimony, Integra has not indicated how many access line equivalents are in the Verizon territory being acquired by Frontier; nor has it indicated the number of unbundled loops, collocations, DS1s, DS3s, or the level of transiting traffic in the Verizon territory being acquired by Frontier.

Q. Does Frontier have experience with offering these services?

A. Yes. Region wide, Frontier offers all of these services to over 84 different CLECs (excluding wireless carriers) nationwide, as explained above.

Q. Will this experience allow Frontier to provide wholesale services to the CLECs in Washington and other states within the scope of the proposed transaction?

A. Yes. Frontier's substantial prior experience demonstrates that Frontier can manage the Verizon wholesale customer support systems. In addition, Verizon employees who are operating the wholesale customer support systems prior to the closing will continue to be employed by Frontier after the closing. Frontier has, and will augment with the Verizon employees that continue as employees with Frontier, the experience and expertise to continue to provide the same wholesale services in Washington that Verizon provides today.

Q. Please respond to Comcast's general concerns that the proposed transaction will result in the degradation of wholesale services in Washington.

A. Throughout their testimony, Comcast witnesses Mr. Solis (at page 4) and Dr. Pelcovits (at pages 2-3) suggest that the proposed transaction between Frontier and Verizon may result in Comcast's business somehow being adversely impacted. While Comcast has not identified concrete or verifiable risks associated with the proposed transaction, Frontier understands that CLECs may have concerns about any transaction. However, as part of the proposed transaction, Frontier and Verizon have undertaken extraordinary efforts to ensure that the wholesale services provided to CLECs are not disrupted, and that CLECs will continue to place service orders and otherwise interact with Frontier in the same manner as they interact with Verizon today and immediately prior to the close of this transaction.

As I explain in more detail below, Frontier will continue to use the Verizon operational support systems and their interfaces after the closing of the proposed transaction, supported by the same personnel, that will result in at least the same quality of services and support as those carriers receive from Verizon. Frontier will not replace those systems during the first three years after close of the transaction without providing 180 days notice to the Commission and the CLECs. In addition, Frontier will honor all existing ICAs and commercial arrangements that Verizon has in place as of the closing of the transaction, including all arrangements in place with Comcast and Integra. As a result, Comcast's and Integra's concerns about the proposed transaction are speculative, and not supported by facts related to the Frontier transaction with Verizon.

IV. AT CLOSING, FRONTIER WILL RECEIVE THE SAME, FULLY FUNCTIONING AND TESTED WHOLESALE OPERATIONAL SUPPORT SYSTEMS VERIZON USES TO SERVE CLECS IN WASHINGTON

Q. Are Comcast's and Staff's concerns regarding service order processing well founded?

A. No. Mr. Solis', (at pages 17-18) and Mr. Williamson's (at page 18) concerns about potential deterioration of wholesale service quality or capabilities are based largely on problems that arose as a result of wide-scale support system conversions to new systems by FairPoint and Hawaiian Tel.

Q. Please respond to Mr. Solis', (at page 25) Dr. Pelcovits', (at pages 25 - 28) and Mr. Williamson's (at pages7 - 13) comparisons of the proposed transaction between Frontier and Verizon to the FairPoint and Hawaiian Tel transactions.

A. None of these witnesses' heavy reliance on comparisons to the FairPoint and Hawaiian Tel transactions supports their concerns or recommendations. To the contrary, the proposed transaction and Frontier itself are very different from FairPoint and Hawaiian Tel in a number of very significant ways, as Mr. McCarthy previously explained in his Direct Testimony.[3] In short, the primary and most significant difference is that FairPoint and Hawaiian Tel elected to establish new wholesale operational support systems to serve CLECs, including Comcast in the New England states. Their completely new systems were put into use for the first time after cutovers from the Verizon support systems, and neither the FairPoint nor the Hawaiian Tel systems were sufficiently tested or ready to provide required services. None of the witnesses acknowledge this fundamental difference.

Q. Was Frontier aware of the serious operational problems experienced by FairPoint and Hawaiian Tel before the proposed transaction with Verizon was structured?

A. Yes. Frontier was very aware of the operational problems experienced by FairPoint and Hawaiian Tel, and took the necessary steps to avoid those problems in structuring the proposed transaction. Mr. McCarthy has addressed the serious problems encountered by FairPoint and Hawaiian Tel, and the steps taken by Frontier to avoid those problems. Specifically, the agreement between Frontier and Verizon provides for: (i) the transfer from Verizon to Frontier of fully operational wholesale customer service systems; (ii) the use of those systems by Verizon (for no less than 60 days prior to closing) to provide all wholesale services to CLECs, including Comcast and Integra; and (iii) the continued use

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[3] *See* McCarthy Direct, pp. 46-47. .

of the transferred systems by Frontier (with technical support from Verizon) for at least a year after closing, with flexibility and alternatives available to Frontier to continue to use those systems with or without continued support from Verizon after the initial year. As a result, the proposed transaction does not involve the sort of cutovers that led to severe problems for both FairPoint and Hawaiian Tel.

Q. Do Mr. Solis (at pages 5 – 6) and Dr. Pelcovits (at page 28) raise concerns with the transfer from Verizon's operation of wholesale systems to Frontier's operation?

A. Yes. Both raise a number of concerns and recommendations regarding the transition from Verizon's operation of its wholesale systems to Frontier's operation of those systems. Mr. Solis and Dr. Pelcovits recommend testing, review of intermediate steps, and the retention of a third-party auditor.

Q. Are their concerns and recommendations well founded?

A. No. Their concerns and recommendations are misplaced because they are directed to potential problems from a <u>conversion</u> of one system to a brand new, untested system, while the Frontier and Verizon transaction will involve the transfer of <u>the same</u> fully operating systems from Verizon to Frontier.

Q. Please explain the distinction.

A. The most critical point is that Frontier will use <u>the same</u> wholesale customer support systems after the closing that Verizon (and CLECs, including Comcast and Integra) will be using before the closing. As explained in more detail below, the Verizon wholesale customer systems that Frontier will use after the closing will be up and operational, on a full scale basis for all wholesale transactions involving Verizon access lines in Washington, for no less than 60 days prior to closing. The Verizon employees operating the systems will become employees of Frontier and continue to operate the systems. The combination of: (i) the use of the systems for 60 days prior to closing; (ii) the transfer of these fully operational systems; and (iii) the continued operation of these systems by the same employees provides direct assurance of continuity and the absence of service disruption or degradation. That direct assurance is far superior to the indirect methods of assurance (mandated testing, intermediate review and auditing) that is recommended by Comcast, and makes those indirect methods unnecessary. Frontier's continued use of the Verizon operational support systems and their interfaces after the closing will result in at least the same quality of services and support as those carriers receive from Verizon.

Q. Please further explain how the operational support systems that are used to support CLECs in Washington will be transitioned from Verizon to Frontier.

A. The following are the key facts associated with the transition of operational support systems from Verizon to Frontier in Washington:

1) Under the terms of the Merger Agreement, Verizon has contractually committed to provide Frontier with fully functioning wholesale customer operations support systems. The systems being transferred to Frontier will be replicated versions of the same CLEC operations support systems that Verizon will retain and continue to utilize to provide service in areas outside the scope of the Verizon/Frontier transaction (e.g. Texas). Verizon will complete testing to ensure that the replication of the support systems that Verizon utilizes to provide support to CLECs in Washington today has been successfully completed.

2) At least 60 days prior to the closing of the transaction, Verizon will complete the replication and physically separate the CLEC customer operations support systems to

be transferred to Frontier. The replication of the Verizon CLEC operational support systems is expected to be completed by March 31, 2010.

3) After the existing Verizon CLEC operations support systems are replicated and physically separated, those replicated CLEC operational support systems will be used by Verizon to support the wholesale service it provides in the Washington territories for at least 60 days prior to the closing. During this period, Verizon will receive CLEC orders, provision and bill for services in the normal course of its business. Frontier will be actively engaged in validating the performance of the replicated systems to ensure the systems are fully operational. <u>The closing will not occur unless and until those systems are fully operational.</u>

4) The Verizon employees who operate the CLEC operations support systems for Verizon during the 60-day period prior to closing will continue as employees of Frontier.

5) Following closing, Frontier will control and continue to use the same replicated wholesale systems used by Verizon to provide service to wholesale customers in Washington and that CLECs utilized to submit orders, to provision service, and for billing prior to closing.

6) Frontier and Verizon will enter into a contractual agreement under which Frontier will use the wholesale operational support systems and receive Verizon maintenance and support for at least one year and Verizon is required to offer this support for a minimum of at least four years, if Frontier desires such support. This support will include new system releases, updates to source code, patches and bug fixes associated with the replicated systems conveyed to Frontier.

These features will fully protect CLECs, including Comcast and Integra, from any interruption or degradation of service in Washington, and make the conditions recommended by Comcast unreasonable and unnecessary.

Q. Please summarize the steps that Verizon and Frontier will undertake to ensure the replicated systems' functionality and operability prior to closing.

A. The Rebuttal Testimony of Mr. Stephen Smith of Verizon describes the steps that Verizon will undertake to complete the replication and ensure the consistent ongoing functionality of the operational support systems used to support the CLECs in

Washington. As Mr. Smith explains in the Rebuttal Testimony, Verizon will undertake testing of the systems during the replication process before the systems are put into production and utilized for the 60-day period. That testing will include the processing and flow through of sample data and the verification of the results of that testing. Frontier will have the opportunity to provide feedback on the test plan, to review the results of Verizon's testing, and to request that other tests be run. Once the pre-production testing results confirm the replication has been successful, Verizon will put the CLEC systems into real time use to operate its Northwest region (which includes Washington).

Q. Please describe in more detail the existing Verizon wholesale customer support systems, and how they will be replicated, transferred to, and used by Frontier.

A. The Verizon support systems that will be replicated include the systems currently used by CLECs in Washington for: Service Ordering, Number Porting, Directory Listings, Interconnection Trunking Customer Care, and Billing. Those systems will have been providing all wholesale services for Verizon in Washington (and 12 other states) for no less than 60 days prior to closing. All steps needed for full connectivity between these systems and CLECs will have been implemented prior to that 60-day period. During that 60-day period, CLECs, including Comcast and Integra, will be using those systems for all of their Verizon business dealings for their customers in Washington. In other words, prior to closing, Comcast will submit local number porting requests, directory listing orders and any other service orders and Integra will submit LSRs and ASRs utilizing the Verizon replicated systems.

In addition, during this period, Comcast, Integra, Verizon and Frontier will be able to monitor and review whether there are any issues associated with Comcast or Integra local number porting orders, directory listing orders, unbundled loop orders, or other interconnection service orders, just as other CLECs will be able to identify issues with their orders. In the unlikely event that issues or problems arise, Verizon and Frontier will investigate and Verizon will make the necessary system modifications to address those service issues. Upon closing of the proposed transaction, Comcast and Integra and other CLECs will continue to use the same process for these types of service activities as they did with Verizon. As a result, CLECs, including Comcast and Integra, will not be required to process orders in a different manner, nor will they have their existing service activities delayed or disrupted with the closing of the Frontier transaction.

Q. Mr. Solis (at page 19) suggest that the Commission should condition approval of the transaction on a requirement that CLECs are able to test the replicated operational support systems prior to closing. Is that appropriate?

A. No. As discussed in the Rebuttal Testimony of Stephen Smith, Verizon will perform pre-production tests to ensure that the replicated systems can handle production level volumes, and then the systems will be put into operation and use for at least two months prior to closing. During that period of time, which is expected to commence on April 1, 2010, wholesale customers will receive the same services from Verizon on the replicated systems that they receive today, and any issues will be identified and remedied by Verizon. Comcast, Integra and other CLECs will submit and process service orders using these systems, and therefore will clearly be able to verify that the replicated wholesale systems are capable of successfully processing wholesale orders.

Frontier will monitor these activities while the replicated systems are being used to provide service to CLECs in Washington. Successful completion of the replication is a condition precedent to closing; thus, unless and until Frontier confirms and validates that the wholesale systems are working, the transaction will not close. Because there is no change in system functionality and CLECs will continue to utilize the Verizon systems upon closing of the transaction, Comcast's demand for the Commission to condition approval on extensive CLEC testing is unnecessary and would significantly increase costs and complexity to this process, and add the potential for unnecessary delay, without any benefits.

Q. Mr. Solis argues (at page29) that the proposed transaction is like FairPoint because Frontier is not acquiring all of Verizon's operations. Is he correct?

A. No. Mr. Wayne Lafferty of Huron Consulting testifies on behalf of Frontier and addresses the numerous differences between the Frontier and FairPoint transaction in his Rebuttal Testimony. In short, Mr. Solis is focusing on superficial appearances, and ignoring the fact that Frontier is receiving complete and fully operational wholesale support systems as part of the transaction, and that the employees of Verizon that operate these systems will become employees of Frontier. The transaction is a complete acquisition with respect to the wholesale support systems.

Q. Please respond to Comcast's concerns that the "e-bonding" process may not be available from Frontier following the proposed transaction?

A. Both Mr. Solis (at pages 10 and following) and Dr. Pelcovits (at page 3 of his Exhibit marked MDP-2) have raised a concern that the Verizon e-bonding process will be discontinued as a result of the proposed transaction. They provide no basis for this false allegation. To the contrary, after the closing, CLEC customers in Washington, including Comcast, will continue to use the e-bonding systems and processes that are in place as of April 1, 2010. The only change certain CLECs will need to make is to change the point of e-bonding connectivity to the wholesale support systems that will be hosted in the Fort Wayne data center, and other CLECs such as Integra do not even need to do that, as explained further in the testimony of Mr. McCallion.

Verizon has already sent out notices to CLECs regarding the need to change the point of such connectivity, and Verizon will perform bilateral tests with each CLEC to ensure connectivity (which for most CLECs is simply a new URL site). By April 1, 2010, CLECs will have changed the point of e-bonding connectivity and interfaces to the replicated operational support systems. As previously explained, those e-bonds and interfaces will be used to process orders for at least 60 days prior to closing, which should further obviate any concern that the CLECs will not have full system functionality at the closing and transfer of the systems to Frontier. In short, wholesale customers in Washington, including CLECs, will continue to process orders in the same manner, using the same operational support systems arrangements and the automated and electronic interfaces, such as e-bonding arrangements, that they use prior to the closing.

Q. Please respond to Comcast's concern that Frontier may not receive software system updates once the replicated systems are transferred from Frontier to Verizon?

A. Mr. Solis raises a concern (at page 23) regarding how Frontier will address software upgrades for the replicated wholesale systems. As explained above, Frontier will contract for Verizon to provide support and maintenance of the replicated wholesale systems following the close. Systems upgrades, patches, and bug fixes are all part of the contracted maintenance services Frontier has secured with Verizon. The replicated wholesale systems transferred to Frontier will receive the same patches and upgrades that Verizon implements for its own wholesale systems in the former GTE systems in the Verizon territories that are not part of the transaction. Frontier will provide notifications to CLECs of these software changes and upgrades on a business-as-usual basis.

Q. Comcast (Solis at page 33) proposes that Verizon and Frontier retain a third-party auditor to review Verizon's systems prior to close of the transaction. Would this be appropriate?

A. No. The proposals by Comcast to retain a third-party to monitor and test the transition of systems are unnecessary and would add to the cost and complexity of the transaction, and could also result in unnecessary delays. There are several reasons why a third-party auditor is unnecessary.

First, unlike the FairPoint and Hawaiian Tel transactions (where new wholesale operational support systems were created from scratch and put into production for the very first time following the cutover to the new systems), the Verizon operational support systems that will be replicated and transferred to Frontier are not new systems.[4] Rather, they are systems with the same features and functionality that are in place today and have been in place, in many instances, for years. The replicated systems will include all operational support systems, application programming interfaces ("APIs"), and applications that are used by Verizon in Washington today to provide wholesale service. Thus, wholesale customers in Washington will continue to have access to the same services and capabilities in connection with ordering, provisioning, and billing for wholesale services as they do today.

Second, the wholesale operational support systems that will be transferred to Frontier at closing will be the same systems that Verizon utilizes to provide wholesale service for at least 60 days prior to closing. CLECs also will have the opportunity to communicate any concerns with the replicated systems functionality to both Verizon and Frontier during the 60-day period prior to closing. Any type of third party verification would undoubtedly be far less useful and reliable than 60 days of live operation in assuring the successful operation of the wholesale customer service systems that will be transferred to Frontier.

Third and more importantly, as explained in the accompanying Rebuttal Testimony of Dan McCarthy, Frontier will not proceed with closing of the proposed transaction unless and until the operational support systems are fully functioning and operational. Frontier

[4] See further discussion in Rebuttal Testimony of Wayne Lafferty.

has a significant business interest to fully validate and confirm that the replicated systems are functioning appropriately. The last thing that Frontier wants is for the company to begin operating the Verizon service areas in Washington with a backlog of service problems and difficulties. As a result, Frontier will undertake a detailed review and ongoing efforts up until closing to ensure that the replicated wholesale systems are working properly. Third party verification or testing will not provide any greater assurance that the replicated systems are operating appropriately prior to closing.

Q. Please respond to Mr. Solis recommendation, at page 35, that Frontier and Verizon should be required to provide notice to CLECs of any OSS changes "at least four months prior to the scheduled cut-over date for the replicated OSS."

A. This recommendation is logically unrelated to the sequence of events for the replication of the Verizon CLEC support systems and the transfer of the fully functioning replicated systems to Frontier. Verizon will be using the same systems prior to close that it uses today, and Frontier will be using those same systems after close. The date for the beginning of the 60-day operational period before closing has already been communicated to the CLECs. As discussed earlier, Verizon will complete the replication and CLECs like Comcast will use the replicated systems prior to closing. To the extent that there are any additional notices necessary to Verizon's wholesale customers, they will occur in the normal course of business, consistent with the parties' ICAs, regulatory requirements, and industry standards.

Q. Please respond to Comcast's expressed concerns that the cost of the support services provided by Verizon will provide an overly strong incentive to terminate those services.

A. Mr. Solis (at page 31) has expressed the concern that Frontier will have a compelling interest to migrate from the replicated Verizon wholesale operations support systems to Frontier wholesale support systems prematurely. To the contrary, as Mr. Daniel McCarthy explains in his Rebuttal Testimony, the costs to Frontier for continued use of the system are reasonable, and the arrangement with Verizon provides substantial flexibility to Frontier. There is neither a reasonable basis to impose prospective conditions on Frontier transitioning to its own systems, nor is such a remedy necessary.

Q. Are any post-transaction wholesale system conversion conditions, beyond those recommended by Mr. Williamson[5] necessary?

A No. Additional conditions or requirements are not necessary because the Commission will clearly retain ongoing jurisdiction over Frontier and the quality of services that it provides, including services to CLECs. Comcast's speculation about remote possibilities does not provide an adequate or reasonable basis for any conditions. Specifically, there is no basis to believe that the quality of service that Frontier will provide in the future will deteriorate. It would be completely inappropriate to prejudge a situation on the basis of Comcast's speculation and to impose the most restrictive limitations to address such speculation. Such an approach would not serve the broader public interest, notwithstanding the wishes of Comcast.

[5] Williamson Testimony, p. 22-23.

Further, a precipitous decision to prescribe the requirements for any future transition is completely unnecessary. Frontier has committed that this integration will not occur for at least one year following the closing of the transaction. In the event that Frontier elects to transition from the Verizon wholesale support systems to some other system at least one year after the closing of this transaction, Frontier will provide no less than 180 days notice to the Commission and to interested parties, including the CLECs. That notice will provide a full opportunity for the Commission to: (i) make any investigation that it deems appropriate; and (ii) base any appropriate conditions or added protections on facts, rather than the speculation, fears, and misplaced comparisons (to FairPoint and Hawaiian Tel) that Comcast and Staff has offered. Such a well-timed and fact-based approach would be far superior to the premature and speculative approach urged by Comcast. Frontier has a significant business interest in ensuring that it properly implements the integration and transition from Verizon operations support systems to Frontier's systems.

V. AFTER THE CLOSING, FRONTIER WILL HONOR AND EXTEND VERIZON'S ICAs AND OTHER ARRANGEMENTS WITH CLECS IN WASHINGTON.

Q. Please respond to Comcast's (Pelcovits at page 39) and Integra's (Denney at pages 6-13) concerns that its existing ICAs and arrangements with Verizon will be disrupted.

A. Comcast and Integra have raised the concern that its existing interconnection arrangements with Verizon will be disrupted. However, these concerns are unfounded.

Frontier will become the new parent company of Verizon Northwest, and all existing ICAs between Verizon Northwest and CLECs will remain in force at the closing of the proposed transaction. Frontier will honor all obligations under Verizon's current ICAs, wholesale tariffs, and other existing wholesale arrangements in addition to complying with the statutory obligations applicable to all ILECs, including those that relate to service within Washington. As a result CLECs, including Comcast and Integra, will receive the same services, support and arrangements as those provided by Verizon prior to the transaction.

Q. Please respond to Comcast's, Integra's and Staff's recommendation that Frontier be required to extend existing Verizon ICAs and wholesale agreements for three years beyond their terms?

A. Dr. Pelcovits (at page 39-40), Mr. Huesgen (at page 6) and Mr. Applegate (at page 5) have recommended that Frontier be required to extend ICAs and wholesale agreements for up to three years. As explained above, there is neither a reasonable basis to impose new restrictions or to extend existing agreements for such a long period. Frontier will honor all ICAs and other commercial agreements with CLECs such as Comcast and Integra, and including prices, terms, and conditions for the longer of: (i) the term of those agreements; or (ii) one year after closing of the proposed transaction. The fact that a transaction is pending does not constitute an appropriate basis for other parties, including Comcast and Integra, to leverage additional benefits and concessions and unilaterally reopen all existing agreements.

Q. Why is establishing a three-year period of time after the closing before any wholesale rates or elements, including special access, can be changed an unreasonable way to ensure that transaction related costs are not passed on to CLECs, as suggested by Mr. Huesgen, (at page 6) Mr. Applegate (at page 5) and the Comcast witnesses?

A. The primary reason is that transaction related costs are actual costs that are tracked and booked pursuant to established accounting methods, distinct and separate from the ratemaking process for wholesale customers, a process that relies on hypothetical costs, using economic costing models, not actual book costs. Proper cost accounting requires that actual costs be booked (accounted for on the books) at or about the time the costs are incurred. Frontier has agreed that costs associated with the transaction will be booked "below the line"—not included in the ratemaking process. Rates for Section 251 wholesale elements are prescribed by the Federal Communications Commission and established by the Commission in a "cost docket" based upon a Total Element Long Run Incremental Cost ("TELRIC") methodology, which sets prices based on the costs of a hypothetical, perfectly efficient, future network and not actual costs.

Rates for elements that are no long considered subject to Section 251 pricing standards (commercial products) are federal in nature and not subject to oversight by a state commission. Notwithstanding, Frontier has agreed that it will not change these agreements, including the rates, during the one-year time frame discussed above.

Intrastate special access is tariffed in Washington but is not part of a "wholesale" tariff. There is no separate wholesale special access product versus retail special access product. Special access is predominately offered through Term and Volume Discount contracts with each customer, regardless of that customer's retail or wholesale status. Frontier has agreed to offer all the Verizon regulated tariffed services upon closing and to assume all the contracts in place in Washington for the duration of those contracts, which would include the bulk of special access purchased by wholesale customers. There is no basis for this Commission to override the terms of those contracts because of this transaction.

Finally, three years is an eternity in the telecommunications industry, given the pace of technological change, changing needs and desires of customers, and regulatory change. This timeframe is not tied to any legitimate aspect of this transaction and appears to be a number plucked from the air. Even Verizon's commitments to the ongoing enterprise don't extend beyond one year and neither Staff nor Comcast nor Integra provide any basis for their selected three-year timeframe.

VI. <u>RESPONSE TO OTHER SPECIFIC COMCAST AND CLEC REQUESTS</u>

Q. Has Comcast provided an extensive list of recommendations?

A. Yes. Mr. Solis (at pages 30-45) and Dr. Pelcovits at (at pages 1-5 of his Exhibit MDP-2) identify approximately 32 specific conditions that they claim are needed to protect Comcast and other CLECs. That list includes numerous recommendations relating to: (1) Commission jurisdiction; (2) Non-recovery of expenses; (3) Interconnection; (4) Operational Support Systems- Migration, Testing and Performance; (5) Ordering, Provisioning and Maintenance Processes and Intervals; (6) Local Number Portability; (7) 911; and (8) Compliance Certification.

Q. Does Frontier agree with these recommendations?

A. With the exception of those recommendations made by Staff, these recommendations are inappropriate because they are: (i) unnecessary and duplicative of protections that are already available; (ii) premature and lacking factual support, in that they assume problems that do not exist or are based on speculation; and (iii) overreaching, in that they ask for additional benefits and concessions beyond Verizon's current service levels and obligations.

While Mr. Solis states in his testimony (at page 30) that Comcast's goal in this proceeding is to "assure that the status quo is maintained", many of the Comcast recommendations are unreasonable and appear to be an effort by Comcast to leverage this proceeding to advance its competitive business interests. Imposing additional obligations on Frontier that are not currently applicable to Verizon does not maintain the status quo and is inappropriate. As explained above, the proposed transaction is completely unlike FairPoint and Hawaiian Tel. In addition, Frontier has taken an extensive series of steps to assure that CLECs, including Comcast, continue to receive the same services as Verizon now provides, including acquiring replicated Verizon wholesale support services on a turn key basis and arranging a 60-day period in which that replicated system will be in full operation prior to closing and using the same Verizon personnel that will be retained by Frontier. The fact that a transaction is pending does not constitute an appropriate basis for Comcast to obtain additional benefits and concessions, including improvements or increases in services provided, or in the potential sanctions to be imposed on Frontier.

Q. Can you provide examples of conditions proposed by Comcast or Integra that are unnecessary and duplicative recommendations?

A. Yes. For example, Comcast (Solis at pages 33-35) has proposed an elaborate and certainly costly series of intermediate auditing and testing to address the process of transition before closing, even though there will be a 60-day period of operation at full capacity prior to any transfer of the Verizon OSS systems to Frontier. Comcast has also proposed a series of post-closing certifications, even though the Commission will retain jurisdiction and already has ample authority to take the steps needed to preserve service quality.

Q. Can you also provide examples of recommendations that are premature and based on speculation?

A. Yes. Comcast (Solis at page 35) and Integra (Huesgen at page 7) support performance metrics and rigid notice periods (e.g. four months for any OSS change) or self-executing remedies be established for Frontier before there is any indication of problems or operation at levels any different than those provided by Verizon. Comcast's and Integra's assumption appears to be that Frontier has no interest in a smooth working relationship with CLECs and will carelessly reduce service levels. There is no justification for either of those assumptions, and there is thus no basis to impose new metrics and restrictions at this time. As I have discussed, Frontier will provide no less than 180 days notice to the Commission and to interested parties, including the CLECs of any cutover from the Verizon systems to Frontier's systems. That notice will provide a full opportunity for the Commission to make any investigation, based on facts, rather than the speculation, fears, and misplaced comparisons (to FairPoint and Hawaiian Tel) that Comcast has offered.

Q Can you provide examples of Comcast attempting to leverage additional benefits and concessions?

A. Yes. For example, Comcast recommends that: (i) the existing rural exemption of Frontier ILECs be revoked as part of this transaction; (ii) Verizon ICAs and other contracts be extended for three years no matter their current terms; (iii) current prices be extended for three years no matter their current terms; (iv) new opt-in rights be provided to CLECs; (v) new termination rights be provided to CLECs; (vi) existing service standards be increased and new penalties be added; (vii) notice requirements, such as switch capacity fill, be increased; (viii) Frontier be required to reimburse CLECs for training; and (ix) new pricing standards be adopted (the lower of current prices or cost-based rates). A transfer of ownership does not provide a reasoned or reasonable justification to leverage more benefits and concessions to third parties, and Comcast should not be provided such benefits and concessions.

Q. Will the proposed transaction have any adverse effect on 911 services or information provided to CLECs?

A. No. Frontier and Verizon recognize the critical importance of ensuring reliable 911 service. The proposed transaction will not have any adverse impact of the provision of 911 services and information provided to CLECs. Verizon will replicate the ALI database and all related systems and put them into operation along with the other replicated OSS systems prior to closing. Frontier will assume and continue to utilize the same fully operational 911 systems and arrangements, after the closing that Verizon utilizes prior to the closing of the transaction. Verizon employees that operate and support Verizon's existing 911 systems in Washington will continue to do so as employees of Frontier after the transition. From a CLEC perspective, other than a new Web address, nothing will change. A CLEC will continue to update the database in the same manner as it did before. Accordingly, the transaction will not affect the 911 information or services provided by Verizon to CLECs in Washington.

Q. Please respond to Comcast's concerns regarding the establishment of the wholesale customer call center in Durham, North Carolina.

A. Comcast (Solis at page 21) raises a number of concerns about the wholesale service customer call center in Durham, North Carolina that will be established by Verizon and transferred to Frontier. Many of the concerns appear to be based on transition issues Comcast experienced in transitioning from another Verizon call center to the current wholesale call center in 2008. Those issues are unrelated to the proposed transaction, and Mr. Tim McCallion of Verizon responds to these concerns in his Rebuttal Testimony. As Mr. McCallion explains, the Durham employees began training in October 2009 to be the primary order center for the wholesale operations in this transaction. The Durham center will begin operating on a transitional basis this year, and the full transition is scheduled to be fully operational and transitioned by March 31, 2010. Thus, all of the wholesale service ordering functions for Washington and the other affected states will be fully transitioned to Durham months before the transaction closes. The Durham center will be staffed with approximately 40 representatives and managers who will become Frontier employees at closing and will continue to provide the same services following closing. Frontier will add staff as needed and will have an expanded workforce in place after closing to provide an additional assurance of service quality.

Q. Is Comcast Witness Mr. Solis correct in claiming (at page 24) that Frontier has refused to continue the Verizon CLEC forums and may not continue the carrier-to-carrier performance assurance plan (at page 36), thus justifying Comcast's recommended conditions 11 & 12?

A. No. Frontier will continue the Verizon CLEC forums and the carrier-to-carrier performance assurance plan. It is my understanding that those forums have proven useful to both the CLECs and to Verizon. Frontier has no intention of taking steps that are disadvantageous to Frontier and the CLECs, and there is no basis to come to any other conclusion. Integra's recommendation that Frontier be required to add to Verizon's monthly reporting requirements is unnecessary. Further, any requirement to monitor Frontier's wholesale service quality, establish wholesale service quality benchmarks and related self-executing remedies is based on a faulty application of the FCC's market opening responsibilities and public interest concerns as directed by Section 271 of the Federal Telecommunications Act of 1996 ("Federal Act"). In addition, opening such a docket is premature, since doing so is tantamount to predetermining that there will be service issues before Frontier has had a chance to perform. Any service concerns will be obvious from the Carrier Guidelines that Verizon reports on today and that Frontier will assume and continue upon closing.

Q. Please explain why implementing Section 271 performance assurance plans that were voluntarily agreed to by Regional Bell Operating Companies in their quest for entry into the interLATA, interstate long distance business, if applied here would be based on a faulty application of the Federal Act, and thus not appropriate in this docket?

A. Mr. Huesgen (at page 7) and Mr. Denney (at page 27) on behalf of Integra advocate for performance assurance plans with self-executing remedies. Mr. Denney suggests that a wholesale performance assurance plan will assure that markets remain open to competition after the Frontier acquisition of the Verizon properties in Washington.

This is Mr. Denney's first faulty application of the Federal Act. The whole structure of the Federal Act was based upon an assumption that the in-region, interLATA long distance market was competitive while the local market was a monopoly. As a quid pro quo for being allowed entry into the competitive in-region, interLATA long distance market, RBOCs had to ensure that the local markets were open to competition from the long distance carriers, as voluntarily measured by an agreed to set of performance measurements. The ongoing performance assurance plans were part of the FCC's determination that the grant of Section 271 relief was in the public interest going forward, but those plans were not a key component of finding the local market open to competition.[6] Further, once RBOCs "opened" their local market, they were allowed into their in-region, interLATA long distance market. All RBOCs achieved this relief by the end of 2003. By operation of law, the provisions of section 272 (other than those in section 272(e)) applicable to Qwest's provision of in-region, interstate, interLATA telecommunications services sunset for the operations of Qwest in its final in-region state on December 3, 2006.[7] The FCC officially released all the RBOCs from their 272 affiliate restrictions in 2007, first Qwest, followed by AT&T and Verizon later that year**.**[8] This is significant because many of the RBOCs' performance assurance plans clearly contemplate the elimination of the PAP in that they have express termination dates, expire by their terms when the 272 affiliate restrictions go away (as in 9 of Qwest's

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[6] *Memorandum Opinion and Order*, In the Matter of Application by Qwest Communications International Inc. for Authorization to Provide In-region, InterLATA Services in the States of Colorado, Idaho, Iowa, Montana, Nebraska, North Dakota, Utah, Washington and Wyoming, WC Docket No. 02-314, Adopted December 20, 2002, ¶¶ 440-452 ("FCC 271 Approval Order for WA, et. al.").

[7] The Commission granted Qwest interLATA authority for its final in-region state on December 3, 2003. *See* Application by Qwest Communications International Inc. for Authorization To Provide In-Region, InterLATA Services in Arizona, WC Docket No. 03-194, Memorandum Opinion and Order, 21 FCC Rcd 7169 (2003) and Section 272 Sunsets for Qwest in the State of Arizona by Operation of Law on December 3, 2006 Pursuant to Section 272 (f)(1) WC Docket No. 02-112, Public Notice, 21 FCC Rcd 14157 (Wireline Comp. Bur. 2006) (Arizona Sunset Notice); *see also* Section 272 Sunsets for Qwest Communications International Inc. in the States of Colorado, Idaho, Iowa, Montana, Nebraska, North Dakota, Utah, Washington and Wyoming by Operation of Law on December 23, 2005 Pursuant to Section 272 (f)(1), WC Docket No. 02-112, Public Notice, (Wireline Comp. Bur. 2005). Qwest became free to provide in-region, interLATA telecommunications services on an integrated basis on December 3, 2006.

[8] *See*, In re Matter of Petition of Qwest Communications International Inc. for Forbearance from Enforcement of the Commission's Dominant Carrier Rules As They Apply After Section 272 Sunsets, WC Docket No. 05-333, Adopted February 20, 2007, Released March 9, 2007; In re Matters of Section 272(f)(1) Sunset of the BOC Separate Affiliate and Related Requirements; 2000 Biennial Regulatory Review Separate Affiliate Requirements of Section 64.1903 of the Commission's Rules; Petition of AT&T Inc. for Forbearance Under 47 U.S.C. § 160(c) with Regard to Certain Dominant Carrier Regulations for In-Region, Interexchange Services, WC Docket No. 02-112; CC Docket No. 00-175; WC Docket No. 06-120, Released: August 31, 2007, Adopted August 30, 2007.

states)[9], or require a state commission to make an express decision as to its termination date on a date certain (as in the case of the original PAP for WA).[10] In WA, Qwest volunteered by acceptance of the Alternative Form of Regulation Plan ("AFOR") to continue the PAP for the duration of the "AFOR", until November 30, 2011.[11] Thus, Mr. Denney's suggestion that Frontier should have similar obligations to Qwest's Performance Assurance Plan obligations, when those obligations by their terms will expire in the near future, is fairly disingenuous. In any event, the main purpose and reasons for performance assurance plans adopted as part of the Public Interest Test of the FCC's 271 approval order, were to prevent an RBOC from backsliding and closing the local market to competition. These do not exist with Frontier as it is not an RBOC, and further, the local markets are irretrievably open to competition, as discussed below. However, Frontier has agreed to voluntarily file the reports that Verizon is obligated to

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[9] *See* Exhibit K, Qwest Performance Assurance Plan, http://www.qwest.com/wholesale/clecs/nta.html, with specific Qwest PAP language in IA, ID, MT, ND, NE, OR, SD, UT and WY that states: "Qwest will make the PAP available for CLEC interconnection agreements ***until such time as Qwest eliminates its Section 272 affiliate***. At that time, the ***Commission and Qwest shall review the appropriateness of the PAP and whether its continuation is necessary***." [10] *See* Exhibit K, Qwest Performance Assurance Plan, http://www.qwest.com/wholesale/clecs/nta.html, with specific Qwest WA PAP language that stated: 16.3 **Five and one-half years after the PAP's effective date, a review shall be conducted with the objective of phasing-out the PAP entirely.** The review shall focus on ensuring that phase-out of the PAP is indeed appropriate at that time, and on identifying any submeasures that should continue as part of the PAP.

[10] *See* Exhibit K, Qwest Performance Assurance Plan, http://www.qwest.com/wholesale/clecs/nta.html, with specific Qwest WA PAP language that stated: 16.3 **Five and one-half years after the PAP's effective date, a review shall be conducted with the objective of phasing-out the PAP entirely.** The review shall focus on ensuring that phase-out of the PAP is indeed appropriate at that time, and on identifying any submeasures that should continue as part of the PAP.

[11] In 2007, as part of an Alternative Form of Regulation docket for Qwest, the WA Commission, with Qwest's voluntary concurrence, extended the PAP for four years, until 2011. *See* Exhibit K, Qwest Performance Assurance Plan, http://www.qwest.com/wholesale/clecs/nta.html, with specific language as follows: This PAP is also subject to the following provisions ordered by the Commission in Order No. 8, Par. 42, Docket UT-061625, *In the Matter of the Petition of Qwest Corporation for and Alternative Form of Regulation ("AFOR") pursuant to RCW 80.36.135*:
1.1.1 The PAP shall remain in effect for the full four-year term of the AFOR, unless modified by the Commission.

file today. Going back in time to treat Frontier like RBOCs were treated upon their initial entry into the in-region, interLATA long distance market is an extreme and unjustifiable condition, especially when one notes that even Verizon, which operates as an RBOC in other jurisdictions, did not have that obligation in Washington.

Mr. Denny's second faulty application of the Federal Act is suggesting that a performance assurance plan will assure that local markets remain open to competition. Local markets are irretrievably open to competition thanks to the presence of cable competitors like Comcast, and Integra for that matter, who use their own facilities to provide service, and to the existence of wireless providers like Verizon that will continue to compete for customers post transaction closing. The existence of a performance assurance plan is not needed, given the presence of competition today in Verizon's territory.

Mr. Denney's third rationale for a performance assurance plan is to suggest that it will ensure that Frontier's strategic choices are not made at the expense of CLECs, assuming that as Frontier upgrades service for its retail customers the performance assurance plan ensures that its wholesale customers that use that upgraded network will also benefit from these improvements. This is self-evident--as Frontier upgrades its network for retail customers, wholesale customers obviously benefit as they use that same network to provide service to those customers. The existence of a performance plan with self-executing remedies does nothing to provide improvements to the common network that is used to serve customers, whether the provider is Frontier or a CLEC. Frontier has every incentive to provide high quality service in a competitive market and every incentive to improve its network to serve customers, without a regulatory performance assurance plan with self-executing remedies.

Finally, Mr. Denney claims (page 25) that the Qwest Performance Assurance Plan with the self-executing remedies has led Qwest to have better service performance than Verizon, relying on selective measures for two-wire loops and DS1 loops over a nine-month period. Notwithstanding the fact that it is improper to assume that Frontier's service performance will not be the same as Verizon's, Mr. Denney's has presented a snapshot of two measurements over a limited period of time out of hundreds of measurements, presenting a faulty and misleading characterization of the overall level of service provided by Verizon. Frontier would like to establish its own track record of service quality performance before any predetermined decision is made as to whether there will be a need for regulatory dockets, service monitoring and self-executing remedies.

Q. Does Frontier intend to claim or seek a waiver of any of the number portability requirements and obligations that are applicable to carriers with more than 2 percent of the nation's aggregate subscriber lines installed?

A. No. Both Mr. Solis (at pages 40-41) and Dr. Pelcovits (at page 32-34) have expressed the concern that Frontier will seek a waiver or exemption from certain interconnection requirements. Frontier does not intend to seek a waiver. Frontier has reviewed the May

13, 2009 FCC Order in FCC-09-41 and the Recommended Plan For Implementation of FCC Order 09-41, Version 3, released by the North American Numbering Council (NANC) on September 15, 2009. Frontier will comply with the Order that reduces the porting interval for simple wireline-to-wireline and intermodal port requests within one business day when it becomes effective on July 31, 2010.

Q. Is there a reasonable basis to add an extensive list of new requirements relating to number porting, as Mr. Solis recommends at pages40-43?

A. No. Frontier's commitment to accept the FCC's requirements for number porting eliminates any reasonable basis or need for new requirements to be imposed on Frontier.

Q. Has Comcast expressed concerns regarding the possibility that Frontier will claim rural exemptions for the Verizon ILEC access lines in Washington?

A. Yes. Dr. Pelcovits (at page 33) has expressed the concern that Frontier will somehow seek such a rural exemption with respect to Verizon's service territory in Washington. This concern is unfounded. Frontier commits that it will not claim or seek rural exemption of the requirements under section 252 of the Telecommunications Act for the Verizon Northwest service area in Washington.

Q. Please respond to Comcast's expressed concerns regarding the maintenance of directory service arrangements for CLECs by Frontier.

A. Mr. Solis (at pages 30 – 31) expressed the concern. Again, this concern is unfounded. As I have explained, after the closing, Frontier will maintain Verizon's e-bonded system for accepting directory listing orders.

Q. Does the plan for transfer of a replicated system lack provisions for collaboration and communication with CLECs, as Mr. Solis infers at pages 33-35?

A. No. As I have previously noted, Frontier will continue Verizon's practices of collaboration and contact with CLECs.

Q. Integra recommends that Frontier be prevented from either seeking to reclassify Washington wire centers as "non-impaired" or file any Section 10 forbearance petition from any Section 251 or dominant carrier regulation at the FCC for any wire center in Washington. What is your reaction to this suggestion?

A. This condition tramples on the rights of carriers to follow the guidelines set forth by the FCC in its determination as to the proper regulatory balance between the rights of incumbent telephone carriers and the rights of competitive local exchange markets. The requirement for ILECs to offer unbundled elements is set by law; that requirement is not boundless and cannot be required in all instances. Integra's request in this instance is a blatant attempt to improperly extract benefits by leveraging its position in this docket.

Q. Mr. Huesgen and Mr. Denney on behalf of Integra (Integra condition nos. 14, 15, 16, and 17) and Comcast (i.e., condition no., 9, 10, and 11) suggest that a number of

additional requirements be imposed upon Frontier as a condition of the transaction. Would such additional requirements be appropriate?

A. No. Mr. Huesgen advocates for a litany of restrictions related to: escalation procedures; contact lists and account manager assignments; wholesale business information and practices to be followed in Verizon's CLEC manual, industry letters and the Change Management Process; continuation of the CLEC User Forum; training and education on the OSS without charge to the CLEC; and certain staffing levels and experience of employees. Frontier suggests that these conditions are not acceptable topics of regulatory concern, and would inappropriately preempt the management prerogative to run the business in the best interests of customers, employees, and shareholders. Further, as explained in the Rebuttal Testimony of Mr. Tim McCallion, many of the issues raised by Integra appear to be based on ongoing ICA and service related disputes between Verizon and Integra. As I have explained, the proposed transaction between Frontier and Verizon is not an appropriate venue for leveraging additional benefits and resolving particular service issues with particular CLECs. However, Frontier is hopeful that it can work cooperatively with Integra to address Integra's concerns after closing of the proposed transaction.

VII. <u>CONCLUSION</u>

Q. Please summarize your conclusions.

A. Frontier will assume the responsibility for providing wholesale service under Verizon's applicable tariffs, ICAs, and other contracts in effect at the time of closing. Those ICAs and other contracts will be continued for the longer of their current terms or one year from the date of closing to further assure a smooth transition. Service will be provided at the same rates, terms and conditions and will be based on the service quality benchmarks that are contained in those ICAs, tariffs and other contracts. This combination of factors provides complete assurance that CLECs will not experience any disruption of service. The transaction will fully preserve wholesale service quality for CLECs and other service providers with no deterioration of wholesale service quality. Frontier has not only the experience, but also the organization and resources necessary to provide high quality wholesale service. Frontier will be acquiring a fully replicated version of Verizon's wholesale customer support systems. These systems will be in operation providing all wholesale services to all Washington CLECs for 60 days prior to closing. Frontier will continue to use those systems, supported by employees that operated those systems for Verizon, after closing. Frontier will assume the responsibility for providing wholesale service under Verizon's applicable tariffs, ICAs, and other contracts in effect at the time of closing. ICAs and commercial arrangements (i.e., line sharing agreements, Verizon Advantage contracts, etc.) will be continued for the longer of their current terms or one year from the date of closing to further assure a smooth transition. Service will be provided at the same rates, terms and conditions and will be based on the service quality benchmarks that are contained in those ICAs and other contracts.

This combination of factors provides complete assurance that CLECs will not experience any degradation of service. This combination of factors also shows that the added conditions proposed by Comcast, Staff and Integra are unnecessary, inappropriate, and should be rejected. In its approval of the CenturyTel-Embarq transaction, the

Commission did not impose specific wholesale service conditions. A similar conclusion is warranted with respect to the proposed transaction between Frontier and Verizon.

Based upon the explanations found above and in previously filed testimony, I urge the Commission to approve this transaction between Verizon and Frontier, without the specific wholesale service conditions proposed by Comcast, Integra and Staff.

Q. Does this conclude your testimony?

A. Yes.