

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

*In the Matter of the Joint Application of Verizon Communications Inc. and Frontier
Communications Corporation For An Order Declining to Assert Jurisdiction Over, or, in the
Alternative, Approving the Indirect Transfer of Control of Verizon Northwest Inc.*

Docket No. UT-090842

**PUBLIC COUNSEL'S HIGHLY CONFIDENTIAL
SUPPLEMENTAL RESPONSE TO JOINT APPLICANTS
DATA REQUEST NO. 79**

Request No: 79
Directed to: Public Counsel
Date received: November 4, 2009
Prepared by: Sarah Shifley
Date prepared: November 12, 2009

Joint Applicants Data Request No. 79

On page 50 of Mr. Hill's testimony, he recommends that Verizon "contribute at least \$600 million to Frontier to assist with necessary capital spending in Washington." Please provide the methodology used by Mr. Hill to reach the \$600 million figure and provide all documents Mr. Hill used to devise the amount.

RESPONSE:

As confirmed during the November 5, 2009 telephone conversation between Verizon attorney, Gregory Romano, and Public Counsel attorney, Sarah Shifley, Mr. Hill is currently unavailable due to a medical emergency. Public Counsel cannot respond to this data request without consulting with Mr. Hill. Thus, Public Counsel is not providing a response and/or stating an objection to this data request at this time and cannot anticipate when it will be able to do so.

HIGHLY CONFIDENTIAL SUPPLEMENTAL RESPONSE (11/24/09):

Prepared by: Stephen G. Hill

On page 43 of his testimony, Mr. Hill cites **[Begin Highly Confidential]** a conservative estimate by Verizon engineers of the amount of capital expenditures necessary to improve Verizon's telephone infrastructure, **[End Highly Confidential]** which is approximately the same amount as the \$600 million recommended by Mr. Hill. This should be viewed as a relatively low recommendation with regard to a discount to the asking price for the Spinco assets, given that (1) the Verizon CEO has expressed his view that land-line telecom assets have very little value and

[Public Counsel's Highly Confidential Supplemental Response to Joint Applicants Data Request No. 79]

(2) **[Begin Highly Confidential]** Verizon's financial advisors, using Wall Street analysts' price targets and prior telecom deal trading multiples provided a preliminary range of firm values for Spinco several billion less than the \$8.6 now under consideration **[End Highly Confidential]** (see HSR 4(c)(41)).