



BEFORE THE PUBLIC UTILITIES COMMISSION **FILED**
OF THE STATE OF CALIFORNIA

05-10-13
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In the Matter of the Application of
FRONTIER COMMUNICATIONS
CORPORATION,

and

CITIZENS TELECOMMUNICATIONS
COMPANY OF CALIFORNIA INC. (U1024C),

and FRONTIER COMMUNICATIONS WEST
COAST INC. (U1020C)

To Authorize the Merger of

FRONTIER COMMUNICATIONS WEST
COAST INC. (U1020C) into
CITIZENS TELECOMMUNICATIONS
COMPANY OF CALIFORNIA INC. (U1024C)

Application 12-12-019
(Filed December 18, 2012)

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into as of March 15, 2013, by and between Citizens Telecommunications Company of California Inc. (U 1024 C), d/b/a Frontier Communications of California ("Frontier-California"), Frontier Communications West Coast Inc. (U 1020 C) ("Frontier-West Coast"), (collectively, "Frontier"), and the Division of Ratepayer Advocates ("DRA") in accordance with Article 12 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure. Frontier and DRA are sometimes referred collectively herein as the "Parties" and individually as a "Party."

RECITALS

WHEREAS, on December 18, 2012, Frontier filed its Application to Consolidate and Merge (A. 12-12-019) in this proceeding ("Application") requesting that the Commission issue an order pursuant to Public Utilities Code Section 854 authorizing Frontier to consolidate two of its California Incumbent Local Exchange Carriers ("ILECs") by merging the smaller ILEC, Frontier-West Coast, into its larger ILEC Frontier-California.

1 WHEREAS, Frontier-California is a mid-sized ILEC regulated under the Commission's
2 Uniform Regulatory Framework ("URF"), as outlined in Commission Decision (D.) 06-08-030
and other decisions in Rulemaking 05-04-005.

3 WHEREAS, the smaller Frontier ILEC (Frontier-West-Coast) which serves a total of
4 approximately 9,350 access lines, operates under a rate-of-return regulatory structure.¹

5 WHEREAS, on January 28, 2013, the Division of Ratepayer Advocates (DRA) filed a protest
6 of A. 12-12-019. The protest filed by DRA focused on insuring that customers continue to receive a
7 high degree of service quality, in particular, in the areas of installation intervals and customer
complaints, in addition to other areas they were continuing to investigate and discuss with the Joint
Applicants.

8 WHEREAS, on February 7, 2013, the Joint Applicants filed a response to DRA's protest.
9 The response addressed the concerns raised in the protest.

10 WHEREAS, a February 11, 2013 Ruling of Assigned Administrative Law Judge Richard W.
11 Clark was issued setting a prehearing conference (PHC) for Monday, March 25, 2013. The Ruling
12 also directed Parties to meet and confer, and to file a joint case management statement reporting on
the results for their conferring by no later than Tuesday, March 5, 2013.

13 WHEREAS, a Settlement Conference was held on February 26, 2013. DRA and Frontier
14 agreed to continue to finalize settlement language and a settlement document.

15 WHEREAS, Frontier received approval from the Commission's Public Advisors office for a
16 customer notice regarding the proposed merger. Frontier sent the customer notice to all Frontier-
West Coast customers in March 2013.

17 WHEREAS, Frontier and DRA have now arrived at an agreement which is reasonable in light
18 of the whole record, consistent with the law and is in the public interest.

19 AGREEMENT

20 NOW, THEREFORE, based upon the mutual agreement reflected in this Settlement
21 Agreement, Frontier and DRA agree to resolution as follows:
22

23 1. **High Cost Fund B.** Frontier-California currently participates and will continue to participate
24 in the High Cost Fund-B program on a stand-alone basis and will include its pre-merger service
25 territory in the High Cost Fund B program. Frontier will not include the territory of Frontier- West
26 Coast ("Merged Affiliate"), in the High Cost Fund-B claims process until the Commission has

27
28 ¹ Frontier-West Coast operates six exchanges in northern California and serves 9,350 access lines in Del Norte and
Humboldt counties.

1 concluded its review of the B-Fund as ordered in D.07-09-020, specifically, the resolution of the
2 remaining issues contained in Ordering Paragraph 13. If the High Cost Fund-B docket (R. 06-06-028,
3 R. 09-06-019) remains open upon conclusion of the completed review of the B-Fund, the Merged
4 Affiliate will be allowed to participate in the B-Fund claims process as set out in any rule or process
5 changes. Notwithstanding the foregoing, the Merged Affiliate will be allowed to participate in a trial
6 reverse auction and/or permanent reverse auction ordered by the Commission prior to conclusion of
7 the review as ordered in D. 07-09-020.

8 **2. Expanding Competition.** Currently, the service territory of Frontier-West Coast is
9 not open for local wireline competition from Competitive Local Exchange Carriers ("CLECs") under
10 the Commission rules. CLECs will be allowed to enter into interconnection agreements and offer
11 competitive local exchange service in the territory of the Frontier-West Coast ILEC after the merger
12 transaction is consummated. Frontier and DRA have agreed on the content of a written notice,
13 attached hereto as Exhibit A. On March 4, 2013, Frontier sent the notice to all parties included on the
14 service lists in the Service Quality (R. 11-12-001) and High Cost Fund B (R. 09-06-019) dockets
15 regarding Frontier's merger application. Frontier and DRA agree that this notice resolves any
16 requirement regarding notifying carriers of Frontier's expanded competitive territory following the
17 merger. Frontier and DRA request that the Commission's decision approving the proposed merger
18 transaction include a finding that the service territory of Frontier-California (which is open to
19 competition), include the expanded territory of Frontier-West Coast and that with the merger of the
20 smaller Frontier ILEC into Frontier-California, Frontier-California expands the geographic scope of
21 Frontier-California's service area subject to local exchange competition. For example, the finding
22 will have the intent as expressed below:

23 *The Commission finds that the service territory of Frontier-California identified in D.*
24 *97-09-115, includes the expanded territory of Frontier-West Coast and that with the merger*
25 *of the Frontier-West Coast ILEC into Frontier-California, Frontier-California has expanded*
26 *the geographic scope of Frontier-California's service area subject to local exchange*
27 *competition.*

28 This is the same process the Commission used in D. 08-10-010 when granting a prior merger
application filed by Frontier in 2008.

3. **Service Rate Caps.** Following approval of the proposed transaction by the Commission, the
basic primary residential rate for the Merged Affiliate will be capped at the current level as of the

1 date of the Commission's order approving the merger for 12 months. The basic primary residential
2 rate for the Merged Affiliate will be capped for additional 12 months at the existing basic primary
3 residential rate for Frontier-California at the time of the Commission's order approving the merger.
4 Following approval of the proposed transaction by the Commission, Caller ID, call waiting, single
5 line business, directory assistance, non-published listings and inside wire maintenance plan rates for
6 each of the Merged Affiliate will be capped for 12 months at the current levels as of the date of the
7 Commission's order approving the merger. Thereafter, the Parties agree that the Merged Affiliate
8 will be subject to applicable Commission orders governing URF companies. Nothing herein shall be
9 construed to prevent either Party from taking a position with respect to the appropriate service rate
10 caps, if any, which should apply to URF companies after the dates specified in this paragraph.

11 4. **Detariffing.** Following the merger, Frontier-West Coast will be subject to the detariffing
12 option and provisions per D. 07-09-018 and shall retain a separate local tariff until a Tier II Advice
13 Letter to detariff is filed. At the time of detariffing, Frontier-West Coast will merge its tariffed
14 services into Frontier-California's local exchange tariff. Frontier and DRA request that the
15 Commission's decision approving the proposed merger transaction includes a finding that Frontier
16 and the Merged Affiliate shall retain two separate local tariffs until a Tier II Advice Letter to detariff
17 the Frontier-West Coast territory is filed.

18 5. **Service Quality.** Following the approved date of the merger, the Merged Affiliate will
19 continue to comply with General Order 133-C reporting requirements for small ILECs, which
20 includes the average installation intervals, for two years.

21 6.. This Settlement Agreement represents a compromise of the disputed positions of Frontier and
22 DRA and is fundamentally fair, reasonable in the light of the whole record, consistent with the law,
23 and in the public interest.

24 7. Frontier and DRA will file a Joint Motion seeking Commission approval of the Settlement
25 Agreement in its entirety and without change.

26
27 8. The Commission will have exclusive jurisdiction over any issues related to this Settlement
28 Agreement and no other court, regulatory agency or other governing body will have jurisdiction over

1 any issue related to the interpretation of this Settlement Agreement, or the rights of Frontier and DRA
2 in this Settlement Agreement, with the exception of any court that may now or in the future, by
3 statute or otherwise, have jurisdiction to review Commission decisions.

4 9. This Settlement Agreement was jointly prepared by both Frontier and DRA and any
5 uncertainty or ambiguity existing in the document will not be interpreted against either party on the
6 basis that such party drafted or prepared the Settlement Agreement.

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8 10. Each of the undersigned parties agrees to abide by the conditions and recommendations set
9 forth in this Settlement Agreement.

10 11. The Settlement Agreement may be executed in counterparts.

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12 12. This Settlement Agreement entirely resolves all outstanding issues in this proceeding. A
13 Commission decision adopting this Settlement Agreement should also close this proceeding.

14 13. By signing below, each signatory for a Party by signing below represents and warrants that
15 he/she is authorize to sign this Settlement Agreement on such Party's behalf and thereby bind such
16 Party to the terms of this Settlement Agreement.

17
18 14. This Settlement Agreement constitutes and represents the entire agreement between the
19 Parties and supersedes all prior and contemporaneous agreements, negotiations, representations,
20 warranties and understandings of the Parties with respect to the subject matter set forth herein.

21
22 15. This Settlement Agreement may be amended or changed only by a written agreement signed
23 by both Parties and approved by the Commission.

24
25 16. The provisions of this Settlement Agreement shall not be construed as or deemed to be a
26 precedent by either Party or the Commission with regard to any issue, principle or interpretation or
27 application of law and regulation, for any purpose or in connection with any proceeding before a
28 court of law or any state or federal governing regulatory body.

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2 17. The Parties agree that this Settlement Agreement is not severable and shall only become
3 effective after the Commission has entered an order approving this Settlement Agreement without
4 any modification. If the Commission fails to adopt the provisions agreed to and contained in this
5 Settlement Agreement in its entirety or modifies them, it shall be deemed to be withdrawn, without
6 any prejudice to any claims, positions or contentions that may have been made or are made in this
7 proceeding by either Party and shall not be admissible in evidence or any way described in any
8 proceedings hereinafter. DRA and Frontier may pursue all rights which either Party may have as of
9 the execution date of this Settlement Agreement.

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DIVISION OF RATEPAYER ADVOCATES

Dated: 3/15/13

By: Kevin Paul for Joseph Como

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Dated: 3/15/13

By: Kevin Saville

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