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

Application of Frontier Communications Corporation, Frontier California Inc. (U 1002 C), Citizens Telecommunications Company of California Inc. (U 1024 C), Frontier Communications of the Southwest Inc. (U 1026 C), Frontier Communications Online and Long Distance Inc. (U 7167 C), Frontier Communications of America, Inc. (U 5429 C) For Determination That Corporate Restructuring Is Exempt From or Compliant With Public Utilities Code Section 854.

A. 20-05-010
(Filed May 22, 2020)

REPLY OF

**FRONTIER COMMUNICATIONS CORPORATION
FRONTIER CALIFORNIA, INC. (U 1002 C)
CITIZENS TELECOMMUNICATIONS COMPANY OF CALIFORNIA INC. (U 1024 C)
FRONTIER COMMUNICATIONS OF THE SOUTHWEST INC. (U 1026 C)
FRONTIER COMMUNICATIONS ONLINE AND LONG DISTANCE INC. (U 7167 C)
AND FRONTIER COMMUNICATIONS OF AMERICA, INC. (U 5429 C)
TO PROTESTS OF THE PUBLIC ADVOCATES OFFICE AND THE JOINT
PROTESTERS**

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July 9, 2020

1 **I. INTRODUCTION.**

2 Pursuant to Rule 2.6(e) of the Commission’s Rules of Practice and Procedure, Joint
3 Applicants Frontier Communications Corporation (“Frontier”) and its California local exchange
4 and long distance subsidiaries, Frontier California Inc. (U 1002 C) (“Frontier-California”),
5 Citizens Telecommunications Company of California Inc. (U 1024 C) (“CTC-California”),
6 Frontier Communications of the Southwest Inc. (U 1026 C) (“Frontier-Southwest”), Frontier
7 Communications Online and Long Distance Inc. (U 7167 C) (“Frontier-LD”), and Frontier
8 Communications of America, Inc. (U 5429 C) (“Frontier-America”) (collectively “Applicants”)
9 hereby reply to the two protests received on the Application that initiated this proceeding.¹ Two
10 protests were filed on June 29, 2020: one from the Public Advocates Office, and the other from a
11 group identified as the “Joint Protestors.”² (together, the “Protesting Parties”).

12 The Protesting Parties argue for a far more wide-ranging and intensive inquiry than the law
13 requires for the relief sought in the Application. The Application was filed for a specific purpose
14 under a specific statutory standard, and the scope and schedule for the proceeding should reflect
15 the request before the Commission and remain focused on the narrow issues presented. The
16 Application does not involve a transaction where two independent parties are seeking to merge or
17 where one party is seeking to purchase the assets or operations of another. The issue in this
18 proceeding is the proposed replacement of Frontier’s current, widely held equity owners with a
19 different set widely held of equity owners, as necessary to complete Applicants’ financial
20 restructuring under chapter 11 (“Chapter 11”) of title 11 of the United States Code in the United
21 States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”).
22 Whether this parent level restructuring is evaluated under Public Utilities Code Section 853 or
23 Section 854, the only legal question here is whether the replacement of the current equity owners
24 and the associated financial restructuring that eliminates over \$10 billion in debt and
25 approximately \$1 billion in annual interest payments, is in the public interest. No other standard

26 _____
27 ¹ All capitalized terms in this Reply are intended to have the same meaning as set forth in the Application.

28 ² The “Joint Protesters” include The Utility Reform Network, the Communications Workers of America, District 9, The Greenlining Institute, and the Center for Accessible Technology.

1 of review is permissible under the statutory authority.

2 The Commission should resist the Protesting Parties' attempts to unreasonably expand the
3 scope of the proceeding beyond the public interest analysis of this limited transfer of control. This
4 proceeding is not an open-ended opportunity to evaluate Applicants' operations, nor is it a
5 referendum on the 2016 acquisition of Verizon California, Inc. ("Verizon"). This process should
6 not be used as a vehicle to explore regulatory issues of industry-wide concern, many of which are
7 being addressed in other open proceedings, reexamine the state of competition, assess the merits of
8 Applicants' current operations, address Applicants' compliance with current rules, or impose new
9 requirements on the California operating companies unrelated to the transfer of control at the
10 parent company level. Moreover, the ultimate merits of the financial restructuring in the Chapter
11 11 process are beyond the scope of the proceeding; that issue is being exhaustively reviewed by
12 the Bankruptcy Court.³ The Protesting Parties propose a number of issues that have no apparent
13 relationship to the transfer of control, including generalized concerns about service quality,
14 infrastructure investment, and the current competitive environment. The Commission should
15 exclude these areas of inquiry from the proceeding to avoid a boundless and protracted process
16 that would delay and diminish the ultimate benefits of the restructuring, to the detriment of both
17 Frontier and California consumers.

18 The Protesting Parties also seek to unnecessarily elongate the schedule for this proceeding,
19 each proposing full evidentiary hearings and an ultimate resolution at the end of the first quarter of
20 2021. These schedules would place California's proceeding several months beyond regulatory
21 approval process by the Federal Communications Commission ("FCC") and the more than 15
22 other state commissions who are reviewing the transaction. This delayed approval timeline would
23 force Applicants to remain in bankruptcy for far longer than necessary, in which they will continue
24 to incur heightened Chapter 11-related expenses in the range of tens of millions per month and
25 experience harmful uncertainty, whose continuation is not in the public interest. An extended

26 ³ The Chapter 11 case is proceeding expeditiously, as Applicants anticipated. The Plan of Reorganization
27 ("Plan") and the related Disclosure Statement were submitted to the Bankruptcy Court, and the Disclosure
28 Statement was approved on June 30, 2020. The Plan has the support of the requisite number of creditors,
and confirmation of the Plan is anticipated at the scheduled hearing on August 11, 2020.

1 schedule would also implicate the California operating subsidiaries' participation in the October
2 2020 Rural Digital Opportunity Fund ("RDOF") auction because of the uncertainty associated
3 with the resolution of this proceeding. As explained in the Application, Public Utilities Code
4 Section 853(b) provides a vehicle for a streamlined inquiry that still allows for appropriate review
5 without full evidentiary hearings or an extended completion timeline. The Commission should
6 invoke Section 853(b), as it did in a similar context for WorldCom in 2003, to ensure that this
7 proceeding can be resolved by October 2020, or at the latest, the end of 2020.⁴

8 Applicants do not disagree with the Protesting Parties that the Commission may evaluate
9 the impacts of the transfer of control on California consumers, utility employees, and state and
10 local economies. These inquiries can all be accommodated through a focused proceeding on an
11 expedited schedule. Applicants have already supplied extensive materials with the Application
12 and are prepared to further demonstrate the manifest public benefits from the proposed transaction.

13 **II. THE COMMISSION SHOULD APPLY THE STANDARDS OF REVIEW IN THE** 14 **APPLICABLE STATUTES.**

15 The Application invokes two statutes, both of which have prescribed standards of review
16 that govern the Commission's evaluation of the proposed relief.⁵ In both cases, the focal point of
17 the standard is the public interest and the application of the standard concerns the proposed
18 transaction. Here, the relevant inquiry is whether the replacement of one widely-held group of
19 ultimate owners with another in exchange for a reduction in debt of more than \$10 billion and
20 annual interest payments of approximately \$1 billion is consistent with the public interest.⁶ To the
21 extent that the Protesting Parties suggest a broader or more multi-faceted standard, their request
22 exceeds the statutory authority and should be rejected.⁷

23 ⁴ See D. 03-11-015, at 9 (applying Section 853(b) exemption and noting that "[f]irst, and most importantly,
24 the transaction changes no rates or terms of service for existing customers.")

25 ⁵ Pub. Util. Code §§ 853(b), 854.

26 ⁶ See Application, at 2:14.

27 ⁷ *Public Advocates Office Protest*, at 4 ("Commission review should consider Frontier's service quality
28 record, network infrastructure investments, and outstanding 2015 settlement conditions imposed on
Frontier's acquisition of Verizon assets to determine whether the Proposed Transaction is in the public
interest."); see also *Joint Protesters Protest*, at 24 (enumerating issues for the Commission to evaluate
including, but not limited to, novel employee training, Frontier's merger commitments, efforts to meet

1 Under Section 853(b), the Commission must consider whether it is “necessary in the public
2 interest” to apply the full range of public interest factors in Section 854.⁸ If the public interest
3 benefits of the transfer of control are compelling, the Commission can, and should, exempt
4 Applicants from Section 854 and approve the transaction under Section 853(b). The Protesting
5 Parties suggest variously that Section 853(b) “does not apply,” that Applicants have not made a
6 sufficient showing under Section 853(b), and that Applicants’ operational circumstances make a
7 Section 853(b) exemption inappropriate.⁹ Precedent shows otherwise. When confronted with a
8 similar request from WorldCom, the Commission issued an exemption under Section 853(b),
9 conducted the public interest review without hearings, and resolved the request within four
10 months.¹⁰

11 Joint Protesters attempt to distinguish the WorldCom case on the grounds that WorldCom
12 was a “non-dominant interexchange carrier,” but, at the time, WorldCom was one of the largest
13 interexchange carriers in the world and a major player in California.¹¹ Similarly, the Public
14 Advocates Office suggests that WorldCom’s posture was different because WorldCom was
15 subject to “78 individual, enforcement recommendations.”¹² However, the WorldCom conditions
16 were targeted to redress the severe examples of consumer fraud that had accompanied
17 WorldCom’s bankruptcy. No similar concerns exist in this proceeding. Therefore, the public
18 interest analysis applicable to this Application does not concern consumer protection measures,
19 but, rather, the significant reduction of debt that will become possible by effectuating the transfer
20 of control. Viewed through the proper statutory lens, the WorldCom situation is parallel to the
21 present case, despite the Protesting Parties’ arguments to the contrary.

22 Even if Section 854 is applied in full, the standard of review is far narrower than the

23 public investment in service quality, and efforts to build-out fiber broadband infrastructure.)

24 ⁸ Pub. Util. Code § 853(b).

25 ⁹ *Public Advocates Office Protest*, at 2; *Joint Protesters Protest*, at 3-5.

26 ¹⁰ D.03-11-015, at 14 (applying Section 853(b) exemption in connection with WorldCom emergence from
bankruptcy).

27 ¹¹ *Joint Protesters Protest*, at 5.

28 ¹² *Public Advocates Office Protest*, at 6.

1 Protesting Parties advocate. The relevant question under Section 854 is whether the transfer of
2 control will be “adverse to the public interest.”¹³ Indeed, the Commission has found that Section
3 854 transactions “should be approved absent a compelling reason to the contrary.”¹⁴ In evaluating
4 the public interest under Section 854, the Commission is directed to apply certain factors, but it
5 “need not find that each criterion is independently satisfied;” rather, it should consider whether
6 “on balance,” the proposal is “in the public interest.”¹⁵ None of the Section 854 factors imply that
7 the Commission should “independently review” the financial merits of the restructuring Plan, a
8 matter that is already being examined by the Bankruptcy Court.¹⁶ Similarly, the 854 analysis does
9 not encompass the Frontier operating subsidiaries’ current “service quality record, network
10 infrastructure investments, [or] “outstanding 2015 settlement conditions.”¹⁷ All of these are
11 subjects of generalized regulatory interest or matters of compliance unrelated to the proposed
12 transaction or which are currently being considered—or which should be considered—in a
13 separate proceeding before the Commission.

14 Section 854 proceedings are often used by intervenors to seek to leverage an applicant’s
15 need for approval to extract conditions and new regulatory requirements. Here, it is imperative
16 that the Commission avoid facilitating this type of regulatory opportunism and remain focused on
17 the statutory standards. Frontier is in the Chapter 11 process because it has a significant need for
18 the relief conferred by the restructuring that will stabilize its operations and allow Frontier and its
19 California operating companies to compete in the marketplace with much larger, well-established
20 and less regulated telecommunications providers. A focused standard of review will ensure that
21 the benefits of the transfer of control are examined, while avoiding an environment that will lead
22 to costly delays and the potential dilution of those benefits.

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25 ¹³ See D.07-05-061, at 24; D.09-10-056, at 14.

26 ¹⁴ See D.09-10-056, at 15; D.04-09-023, at 5-6; D.05-06-012, at 7.

27 ¹⁵ D.00-03-021 at 124.

28 ¹⁶ *Joint Protestors Protest*, at 8-10.

¹⁷ *Public Advocates Office Protest*, at 6-7; *Joint Protestors Protest*, at 14-16.

1 **III. THE SCOPE OF THE PROCEEDING SHOULD BE FOCUSED ON THE IMPACT**
2 **OF THE TRANSFER OF CONTROL CONTEMPLATED BY THE**
3 **REORGANIZATION, NOT ON EXAMINING APPLICANTS' OPERATIONS OR**
4 **CONSIDERING REGULATORY ISSUES OF INDUSTRY-WIDE CONCERN.**

5 Paralleling their expansive views of the standard of review, Protesting Parties identify a
6 series of issues that are well beyond the scope of reasonable inquiry under the applicable statutes.
7 The Commission should reject these suggestions and align the scope of the proceeding with the
8 applicable law.

9 Applicants' proposed restructuring is quite different from the typical change of control
10 applications reviewed by the Commission. The Application does not involve a merger of utilities
11 of a purchase of one utility by another, as was the case when Frontier acquired Verizon's
12 operations in 2016. Here, there is not a purchase or a merger. This case involves a Chapter 11
13 balance sheet restructuring of the widely held, publicly-traded corporate parent, Frontier, while the
14 California operating companies will continue to provide regulated telephone services on the same
15 terms and conditions as they have previously. Although a new set of ultimate owners will
16 collectively hold the equity of Frontier, these equity interests will be widely held, and it is
17 intended that, upon emergence from Chapter 11, the new common stock of reorganized Frontier
18 will be publicly traded and listed on a recognized U.S. stock exchange as promptly as practicable.
19 Therefore, the principal difference from effectuating this transaction will be the relief of more than
20 \$10 billion in debt obligations and \$1 billion in annual interest payments, which will be manifestly
21 beneficial to Frontier and its California operating company subsidiaries.

22 Despite the narrow questions presented by Frontier's proposed restructuring, the Protesting
23 Parties advocate that this proceeding should involve a generalized examination of Applicants'
24 operations, including the California operating subsidiaries' current "service quality record" and
25 "network infrastructure investments."¹⁸ However, these matters cannot reasonably be within the
26 scope of review if they have no nexus to the proposed transfer of control. The function of this
27 proceeding is not to address allegations of "chronic concerns about service quality and under-

28 ¹⁸ *Public Advocates Office Protest*, at 4; see also *Joint Protestors Protest*, at 12-13.

1 investment.”¹⁹ Applicants dispute these characterizations of their operations, but even if they were
2 true, they are unrelated to the relief sought in the Application and have no bearing on the public
3 interest analysis under either Public Utilities Code Section 853(b) or Section 854. A separate
4 proceeding already exists in which Frontier’s service quality is being examined, with reference to
5 a Network Examination Report.²⁰ It would be inappropriate to use this proceeding to single out
6 the Frontier operating subsidiaries for a special service quality and investment investigation when
7 Applicants’ competitors are not subjected to such inquiries.

8 The same scoping problem exists as to Protesting Parties’ attempts to revisit the Verizon
9 transaction or conflate it with the current proceeding.²¹ Applicants do not dispute that the
10 California operating subsidiaries should honor their commitments under existing law, including
11 the commitments made in connection with the Verizon acquisition. The Applicants have agreed to
12 do so and reaffirm that commitment here. *See* Application, at 21:15-18 (Applicants confirm their
13 commitments and acknowledge that the Commission will retain enforcement powers over those
14 commitments.) However, attempts to associate this Chapter 11 restructuring to the Verizon
15 proceeding from 2016 are unavailing. That matter is resolved, and to the extent that compliance
16 issues have been alleged, separate proceedings have been opened and are the appropriate venue to
17 address those concerns.²² There is no legal basis or probative value in linking these matters with
18 this proceeding. Again, the focus of this inquiry should be on the impact of the ownership change
19 facilitated by the restructuring.

20 Joint Protestors also suggest that the Commission should re-examine the state of
21 competition in the California operating subsidiaries’ service territories in connection with the
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23 ¹⁹ *Id.* at 5.

24 ²⁰ This service quality rulemaking includes extensive and recent developments regarding the “Network
25 Examination Report.” *See* R.11-12-001.

26 ²¹ *See, e.g., Joint Protestors Protest*, at 11 (urging the Commission to “use the lessons learned” from the
Frontier Verizon merger.).

27 ²² D.15-12-005, at 63; *see* D.19-03-017 (resolving dispute with the California Emerging Technologies Fund
28 (“CETF”) regarding interpretation of conditions under Verizon transaction approval); I.19-12-009
(addressing allegations regarding transition issues from Verizon to Frontier).

1 Section 854(b)(2) requirement to “[e]quitably allocate” economic benefits from the transaction.²³
2 An inquiry into the relative competitiveness of these various markets would be a major
3 undertaking that would greatly expand this proceeding in a manner unrelated to the effects of the
4 proposed transaction. Even if such a review could be accommodated, it would be an unlawful
5 collateral attack on the Uniform Regulatory Framework (“URF”) decision in violation of Public
6 Utilities Code Section 1709.²⁴ The Commission exercised forbearance as to its ratemaking
7 authority over URF companies more than 14 years ago, and that determination makes Section
8 854(b)(2) inapplicable.²⁵ Joint Protestors argue that “the statute imposes no such limitation,” but
9 both its plain language and its interpretation in Commission decisions undermine Joint Protesters’
10 claims.²⁶ Moreover, none of the Applicants here is rate-regulated, so the inquiry that Joint
11 Protesters suggest into the competitive dynamics in California is well beyond the scope of the
12 proceeding under either of the applicable statutes.

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17 ²³ *Joint Protestors Protest*, at 7; Pub. Util. Code § 854(b)(2).

18 ²⁴ Pub. Util. Code § 1709 (“In all collateral actions or proceedings, the orders and decisions of the
19 commission which have become final shall be conclusive.”); *see also* D.06-08-030 at 117 (“Our review of
20 the extensive record in this proceeding convinces us that Verizon, SBC, SureWest, and Frontier lack the
21 ability to limit the supply of telecommunications services in voice communications market, and therefore
22 lack the market power needed to sustain prices above the levels that a competitive market would produce.”)

23 ²⁵ *Id.*, at 267 (“Price controls are incompatible with the emergence of competition in the voice
24 communications market.”)

25 ²⁶ *See* D.97-03-067, at 18 (“we prefer that competition, instead of regulatory fiat, drive realized benefits to
26 consumers through reduced prices and improved services.”); D.00-03-021, at 51 (“the competitive
27 environment will require that money to be spent on competition, upgrading equipment and entering new
28 markets. Alternatively, it will become return to reward shareholders for the increased risks they are taking
in this new environment, thereby ensuring applicants access to additional capital as they face competition.
As a result, the most significant benefits of this merger will be price reductions, service improvements, new
products, new services, and advances in quality of service all due to increased competition and access to
capital.”); D.05-11-028, at 28 (finding that attempting to “enumerate the exact dollar amount” for the
benefits of the AT&T SBC merger was unnecessary, because the Commission could “rely on the market to
distribute California based merger benefits to California consumers.”); D.05-11-029, at 27 (finding that
under the present-day competitive markets that “competitive pressures will no doubt push the Applicants to
distribute significant benefits to their consumers.”).

1 In addition, Joint Protesters imply that this proceeding should include an examination of
2 “broadband and video services,” but neither of these are regulated services within the scope of the
3 Commission’s jurisdiction.²⁷ The California operating subsidiaries’ video service is handled
4 through a combination of local franchising and a state-administered franchise under the Digital
5 Infrastructure and Video Competition Act of 2006 (“DIVCA”). However, DIVCA franchisees are
6 not public utilities.²⁸ Similarly, the Federal Communications Commission (“FCC”) has
7 categorically determined that broadband Internet access service is a non-regulated information
8 service.²⁹ Regulated operations and public utility telephone services must remain the focus of this
9 proceeding, regardless of Applicants’ offering of these unregulated services.

10 The Application and the associated attachments reflect the narrow character of the transfer
11 of control presented here, and demonstrate the strong public interest supporting approval of the
12 restructuring. The planned restructuring will not adversely affect telephone service operations,
13 rates, or services in California. The California operating companies will continue to provide
14 regulated voice services during and after the restructuring. Customer service will not be
15 interrupted, eliminated, or impaired; rates will not be increased as a result of the restructuring; and
16 the California companies will continue to provide 911, voice telephone, and other services.
17 Indeed, Frontier filed for Chapter 11 protection only after it reached an agreement for a financial
18 restructuring plan that would allow Frontier to become a stronger company. Frontier’s Plan
19 provides a rate-neutral and comprehensive restructuring of Frontier’s obligations, preserves the
20 going-concern value of Frontier’s business, maximizes Frontier’s future financial flexibility, and
21 preserves thousands of jobs. The Commission should adopt a scope that aligns with the narrow
22 issues presented by the Application.

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26 ²⁷ *Joint Protesters Protest*, at 4.

27 ²⁸ Pub. Util. Code § 5820(c).

28 ²⁹ *In the Matter of Restoring Internet Freedom*, WC 17-108, *Declaratory Ruling*, FCC 17-166 (rel. Jan. 4, 2018), at ¶ 20 (“[w]e reinstate the information service classification of broadband Internet access service”).

1 **IV. AN EXPEDITED SCHEDULE FOR THIS PROCEEDING IS ESSENTIAL TO**
2 **AVOID HARMFUL DELAYS IN REALIZING THE BENEFITS OF THE**
3 **RESTRUCTURING AND TO PROVIDE APPLICANTS' WITH SUFFICIENT**
4 **OPERATIONAL CERTAINTY TO BID AGGRESSIVELY IN THE UPCOMING**
5 **RURAL DIGITAL OPPORTUNITY FUND AUCTION.**

6 The Protesting Parties propose unreasonably delayed schedules that would not resolve this
7 matter until March 2021 or later.³⁰ These extended schedules pose at least three significant
8 problems:

9 First, the Protesting Parties' proposed timelines would ensure that Applicants are in the
10 bankruptcy process for the maximum amount of time prior to emergence, to their extreme
11 detriment. Persisting in this expense-intensive and uncertain state is in itself materially harmful to
12 Applicants' financial condition. On July 30, 2020, the Bankruptcy Court approved the disclosure
13 statement related to the Plan ("Disclosure Statement"), which is currently being distributed along
14 with a ballot to the senior unsecured noteholders ("Senior Noteholders") in the Chapter 11 cases to
15 solicit votes on the Plan. Moreover, the Company *has already secured* greater than the required
16 two-thirds majority to assure acceptance of the Plan in its current form, because seventy-five
17 percent of the Senior Noteholders have committed pursuant to the Restructuring Support
18 Agreement to support the Plan. As a result, the Plan is expected to be confirmed by the
19 Bankruptcy Court without material modification on August 11, 2021.

20 Following Plan confirmation, Frontier expects to emerge from the Chapter 11 process as
21 soon as it secures all requisite regulatory approvals, which means that prompt conclusion of the
22 regulatory approval process is vital to preserve capital and enable Frontier to operate in the highly
23 competitive telecommunications market. An extended review process would cause Frontier to
24 incur significant administrative, legal, and bankruptcy-related expenses, potentially as high as tens
25 of millions of dollars per month, which are resources that could otherwise be used to operate the
26 Company's businesses. The longer the Chapter 11 process takes, the longer it will be before
27 Frontier is financially capable of meaningfully improving its competitive position.

28 As Judge Drain, the presiding judge in the bankruptcy case recently remarked, it is

³⁰ See *Application*, Exhibit B, at 9 (noting "Outside Date" of April 14, 2021).

1 “indisputable” that Frontier will “suffer[s] for being extra days, not even weeks, let alone months,
2 in Chapter 11.”³¹ During the Chapter 11 process, Applicants must continue to incur extensive
3 legal, consulting, and advisory expenses, well beyond the day-to-day operational needs of the
4 business. In the meantime, competitors are targeting Frontier's customers by marketing and
5 promoting uncertainty regarding Frontier’s ongoing and extended bankruptcy. The Commission
6 should not create a scenario where it perpetuates this situation any longer than absolutely
7 necessary, yet the Protesting Parties’ schedules will do just that. If the schedule is expedited to
8 provide for resolution in October 2020, or as reasonably practicable thereafter, Applicants could
9 emerge from bankruptcy sooner and begin realizing the benefits of their anticipated deleveraged
10 operational platforms.

11 Second, the Protesting Parties’ suggested deadlines are out of step with the anticipated
12 completion dates for every other jurisdiction. Applicants expects that most other regulatory
13 approvals to be obtained by October 2020, and if they are not, these matters are expected to be
14 completed by the end of 2020.³² Creating temporal disconnects of this magnitude with other states
15 would not be in the public interest.

16 Third, as noted in the Application, the California operating subsidiaries would like to fully
17 participate in the RDOF auction, which takes place on October 29, 2020.³³ The Protesting Parties
18 misunderstood Applicants’ concerns about the RDOF auction.³⁴ Applicants have not suggested
19 that they would be barred from the auction if they are still in bankruptcy or if they have not
20 received California regulatory approval. Rather, Applicants are pointing out the inevitable impact
21 of major regulatory uncertainty a “reverse auction.” In an environment where the lowest bid
22 prevails, the extent of Applicants’ anticipated future expenses cannot be overlooked. Specifically,

23 ³¹ Case No. 20-22476 S.D.N.Y.), Disclosure Statement Hearing Transcript June 29, 2020, at 70:10-12.

24 ³² As of July 9, 2020, South Carolina’s public utilities commission has already approved the restructuring,
25 and several states are poised to do so in advance of the confirmation of the Plan, which is expected in
August 2020.

26 ³³ See *Rural Digital Opportunity Fund*, Order, 35 FCC Rcd 686 (2020); see also FCC, *Auction 904: Rural*
27 *Digital Opportunity Fund – Fact Sheet* (last visited July 8, 2020),
<https://www.fcc.gov/auction/904/factsheet>.

28 ³⁴ *Joint Protesters Protest*, at 10-11; *Public Advocates Office Protest*, at 9.

1 the fact that the RDOF rules impose a 6-year buildout obligation in areas where bidders win,
2 Applicants will likely need to utilize substantial amounts of their own capital to complete the
3 builds within the required timeframe. In other words, the RDOF program presents an opportunity,
4 but it also involves risk to participating carriers in terms on ongoing buildout and accompanying
5 RDOF regulatory compliance requirements. The level of regulatory certainty Applicants have
6 prior to the auction, which is dependent on the receipt of regulatory approvals, will impact
7 Applicants' bidding strategy, including whether and where to bid. Thus, certainty around
8 Applicants' emergence from the Chapter 11 process and any conditions or obligations imposed on
9 the Company as part of the regulatory process is an important factor as Applicants consider the
10 RDOF auction. If Applicants are still facing an undefined set of potential approval conditions in
11 California as of that date, the specter of this uncertainty will adversely implicate Applicants'
12 approach and bidding.

13 By invoking Public Utilities Code Section 853(b), Applicants have proposed a procedural
14 path whereby this matter could be resolved with an appropriate level of review by October 2020.
15 However, even if the exemption is not granted and a hearing is scheduled, it is feasible to
16 complete this proceeding by December 2020, and Applicants will agree to truncated deadlines for
17 its submissions to make that possible. An expedited schedule is of paramount concern to
18 Applicants given the harmful impacts of delay, and the Commission should set a schedule that
19 resolves this proceeding by no later than the last Commission meeting of the year, which is
20 December 17, 2020.

21 **V. CONCLUSION.**

22 In establishing a scope and schedule for the proceeding, the Commission should remain
23 faithful to the statutory standard of review and provide for an efficient, focused examination of the
24 public interest implications of the proposed transfer of control. The longer Applicants remain in
25 bankruptcy, the more expense and uncertainty they will experience, the greater the customer
26 attrition will be, and the longer Applicants' and California consumers will have to wait to realize
27 the benefits from the substantial deleveraging enabled by the proposed transaction. Applicants
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1 remain committed to working with the Commission to provide sufficient information for its
2 review and to demonstrate the benefits of granting the Application. Ultimately, Applicants look
3 forward to putting this matter behind them so that the California operating subsidiaries can
4 continue advancing their long-term investment objectives and nurturing their critical community
5 relationships in California.

6 Executed at San Francisco, California on this 9th day of July 2020.

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