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

In the Matter of the Joint Application of Verizon Communications Inc., Frontier Communications Parent, Inc., Frontier California Inc., Citizens Telecommunications Company of California Inc., Frontier Communications of the Southwest Inc., Frontier Communications Online and Long Distance Inc., and Frontier Communications of America, Inc. for Approval of the Transfer of Control of Frontier California Inc. (U 1002 C), Citizens Telecommunications Company of California (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 Verizon Communications Inc. Pursuant to California Public Utilities Code Section 854	A.24-10-006

JOINT APPLICANTS' REPLY TO RESPONSES OF PUBLIC ADVOCATES OFFICE AND CENTER FOR ACCESSIBLE TECHNOLOGY TO MOTION TO STRIKE PORTIONS OF THE TESTIMONY OF LEE L. SELWYN

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June 26, 2025

I. INTRODUCTION.

Pursuant to Rule 11.1(f) of the Rules of Practice and Procedure ("Rules") of the California Public Utilities Commission ("Commission") and the June 17, 2025 email of Administrative Law Judge ("ALJ") Miles granting Joint Applicants' request for leave to file this reply, Verizon Communications Inc., Frontier Communications Parent, Inc. and Frontier's California local exchange and long distance subsidiaries, Frontier California Inc., Citizens Telecommunications Company of California Inc., Frontier Communications of the Southwest Inc., Frontier Communications Online and Long Distance Inc., and Frontier Communications of America, Inc. (collectively the "Joint Applicants") hereby address the Responses of the Public Advocates Office ("Cal Advocates") and the Center for Accessible Technology ("CforAT") (the "Responses") to Joint Applicants' Motion to Strike (the "Motion") portions of the testimony of Lee L. Selwyn (the "Testimony"). Contrary to these intervenors' characterizations, the Motion is narrowly tailored and seeks to strike only the Testimony that is outside the well-established scope of this proceeding based on the Assigned Commissioner's prior determinations in the Scoping Memo and Ruling Denying Intervenors' Motion to Amend the Scoping Memo. This reply focuses on intervenors' material mischaracterizations of the Motion and its requested relief.

II. THE RESPONSES ARE INACCURATE AND MISLEADING.

a. Cal Advocates Incorrectly Portrays the Motion as a Jurisdictional Request.

Cal Advocates' Response mischaracterizes the nature of the Motion by suggesting that Joint Applicants are asking the Commission for a finding that it lacks ratemaking authority over Joint Applicants as Uniform Regulatory Framework ("URF") carriers.[1] Rather, the Motion is focused on enforcing the scoping determinations that the Commission itself has imposed on this proceeding to avoid the inequity and inefficiency of devoting further time to Section 854(b)(2) issues that have twice been deemed outside of scope.

b. Intervenors Incorrectly Suggest that the Motion is Overbroad.

Cal Advocates improperly characterizes the Motion as overbroad by proffering selective citations to the portions of Testimony Joint Applicants are seeking to strike.[2] CforAT likewise improperly implies that the Motion seeks to strike Dr. Selwyn's discussion of "economic benefits" or his "economic analysis."[3] Both claims are false. Joint Applicants limited their

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[1] *Cal Advocates' Response* at 1-2.
[2] *Id.* at 5-8.
[3] *CforAT's Response* at 2.

proposed redlines to portions of the Testimony pertaining to Dr. Selwyn's discussion of Section 854(b)(2)—the equitable *allocation or sharing* of benefits with ratepayers. Joint Applicants do not seek to strike Dr. Selwyn's discussion of "economic benefits" under subsection (b)(1).

For example, Cal Advocates asserts that Joint Applicants propose to strike Dr. Selwyn's statements on pages 10 and 11 of the Testimony because Joint Applicants disagree with his conclusion.[4] The redlined language, however, quotes the standards of Section 854(b)(2) and argues that review under Section 854(b)(2) is nearly identical to and "not independent of" review under Section 854(b)(1).[5] Joint Applicants do not propose to strike the Testimony due to their disagreement with Dr. Selwyn's conclusions. Rather, Joint Applicants' proposed excisions are premised exclusively on Dr. Selwyn's attempt to introduce a standard of review that the Commission has already concluded is inapplicable here. There is a major difference between talking about economic benefits and proposing to specifically "allocate" them between ratepayers and shareholders, and the Motion respects that distinction. Joint Applicants acknowledge that their proposed deletion of the following sentence could be stated more precisely and therefore propose the following modification to strike only the portion addressing (b)(2): "Of course, if the Commission determines that there are no substantive short-term or long-term economic benefits resulting from the Transaction, then § 854(b)(1) is not satisfied, ~~§ 854(b)(2) is inoperative,~~ and the proposed change-of-control should be rejected."[6]

Cal Advocates also incorrectly argues that Joint Applicants' proposal to strike Dr. Selwyn's discussion of sharing requirements under Section 854(b)(2) is an attempt to obfuscate Cal Advocates' policy suggestions.[7] Cal Advocates is wrong; Joint Applicants do not seek to strike any of Dr. Selwyn's policy recommendations or Mr. Duffy's proposed conditions that rely on Dr. Selwyn's presentation. In support of its claim, Cal Advocates cites to proposed deletions on page 160 of the Testimony,[8] but this page reflects Cal Advocates' improper efforts to relitigate matters that have already been decided by the Commission, namely that the sharing requirements of §854(b)(2) are not in scope; and therefore, Dr. Selwyn's opinions on the method

[4] *Cal Advocates' Response* at 5-6.
[5] *Selwyn Testimony* at 10:19-11:7. The proposed excisions were attached as Appendix A to the Motion.
[6] *Id.* at 11:4-7. A similar sentence at 37:17-20 should not have been redlined. A revised Appendix A showing these changes is attached as Revised Appendix A to this Reply.
[7] *Cal Advocates' Response* at 6-7.
[8] *Id.* at 7.

and amount of the proposed sharing allocation under Section 854(b)(2) are, by definition, irrelevant.[9]

Cal Advocates also criticizes Joint Applicants' request to strike portions of the Testimony that reference or paraphrase, but which may not explicitly cite, Section 854(b)(2). This artful dodge does not change the substance of Cal Advocates' benefits "allocation" arguments, and Cal Advocates should not be permitted to evade the confines of the Scoping Memo by this sleight of hand. For example, Dr. Selwyn discusses the Bell Atlantic/GTE proceeding within the context of sharing of economic benefits with ratepayers.[10] Because this discussion of the transaction is offered to support an "equitable allocation" of benefits to ratepayers—the exact function of Section 854(b)(2)—it was appropriately identified for removal in the Motion.

c. Cal Advocates and CforAT Incorrectly Argue that the Commission Must Undertake an Analysis under Section 854(b)(2) to Inform Section 854(b)(1).

Cal Advocates and CforAT offer a tortured interpretation of the applicable statute by asserting that the Commission's consideration of Section 854(b)(2) is necessary to analyze the transaction under Section 854(b)(1).[11] This "bootstrapping" argument is not consistent with the plain reading of the disparate, respective standards of review stated in Sections 854(b)(1) and (b)(2). Review under Section 854(b)(1) does not contemplate or necessitate that the Commission review the transaction under Section 854(b)(2); that is why the provisions are in separate subsections. Section 854(b)(1) requires a finding that the proposed transaction "[p]rovide short-term and long-term economic benefits to ratepayers." By contrast, Section 854(b)(2) requires that the Commission, where it has ratemaking authority, find that the proposed transaction "[e]quitably allocate . . . the total short-term and long-term forecasted economic benefits, as determined by the Commission . . . between shareholders and ratepayers." Review under Section 854(b)(2) is separate and distinct from review under 854(b)(1). Section 854(b)(1) does not require the Commission to consider equitable allocation when assessing economic benefits. To impose such a requirement would render the separation of these two sections futile, violating the established canon of statutory interpretation that all provisions in a statute must be given effect.[12]

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[9] *Selwyn Testimony* at 160:1-22.

[10] *Id.* at 53:15-54:19. Unlike GTE, which was subject to rate of return and New Regulatory Framework regulation, neither Verizon's nor Frontier's rates are subject to rate of return regulation.

[11] *Cal Advocates' Response* at 3, 6*; CforAT's Response* at 4-5.

[12] *See, e.g.*, *Hassan v. Mercy Am. River Hosp.*, 31 Cal. 4th 709, 715-716 (2003) (a statute should be interpreted to "preclude judicial construction that renders part of the statute 'meaningless or

CforAT also cites two inapposite Commission decisions in support of its incorrect claim that the Commission's consideration of Section 854(b)(2) is relevant to "the public interest analysis" under Section 854(a).[13] Neither decision supports this claim. In the decision granting the joint application of Verizon and MCI, Inc. ("MCI") to transfer control of MCI's California utility subsidiaries to Verizon, the Commission concluded that "[i]n order to determine whether the transaction is in the public interest pursuant to § 854(a), it is reasonable for the Commission to assess the public interest factors enumerated in § 854(c) and undertake an analysis of antitrust and environmental considerations."[14] This conclusion does not in any way suggest that a consideration of the equitable allocation of economic benefits to ratepayers under subsection (b)(2) is relevant to a public interest determination under subsection (a). In the decision granting conditional approval of the acquisition of PacifiCorp by MidAmerican Energy Holdings Company, the Commission concluded that Section 854(a) applied to the proposed transaction and explained that it would consider multiple criteria under subsection (c) to evaluate whether the transaction is in the public interest and should be approved.[15] Again, the Commission did not identify equitable allocation of economic benefits to ratepayers as relevant criteria to its public interest analysis under Section 854(a).

Indeed, the Commission's prior practice evidences the specious nature of intervenors' claims. The Commission has declined to apply Section 854(b)(2) in prior transactions, including Frontier's 2020 corporate restructuring Decision ("D.") 21-04-008, which shows that the Commission's review under Section (b)(1) does not require a review under (b)(2).

d. Cal Advocates Incorrectly Claims that the Commission May Consider Issues Outside the Scope of the Proceeding Under Rule 13.6.

Cal Advocates claims that it would be improper to grant the Motion under Rule 13.6 and that the Commission should err on the side of allowing "all relevant evidence into the record and affording it the proper weight."[16] This claim mischaracterizes the purpose of the Motion and misconstrues Rule 13.6. Joint Applicants seek to strike Testimony that is irrelevant and outside the scope of this proceeding. Cal Advocates' citations to Rule 13.6 omit the portion that clarifies

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inoperative'") (citing *Mfrs. Life Ins. Co. v. Superior Court*, 1 Cal. 4th 257, 274 (1995)); *Woosley v. State of Cal.*, 3 Cal. 4th 758, 775-776 (1992); *Elsner v. Uveges*, 34 Cal. 4th 915, 935 (2004).

[13] *CforAT's Response* at 3 (citing D.05-11-029 at 127 (COL 8) and D.06-02-033 at 23).

[14] D.05-11-029 at 127 (COL 8).

[15] D.06-02-033 at 23.

[16] *Cal Advocates' Response* at 4.

that this rule is to be applied "[i]n hearings before the Commission," where "the technical rules of evidence, whether statutory, common law, or adopted by court, need not be applied." Rule 13.6 does not apply to the Testimony Joint Applicants seek to strike, which does not implicate evidentiary standards for hearings, such as the "admissibility, competency, weight, or foundation in the record."

Cal Advocates' claim also ignores the purpose and the intent of the Scoping Memo under Rule 7.3 and would result in the inefficient use of the Commission's and parties' resources. As Cal Advocates notes, Rule 13.6 provides the rights for meaningful participation by parties and preserves public policy protections. However, contrary to Cal Advocates' assertion, parties can more meaningfully participate when the evidence introduced respects the scope of the proceeding. The Commission can more effectively weigh the evidence and consider the most important public policy issues when it sticks to the relevant issues within the Scoping Memo and avoids getting sidetracked by extraneous matters..

III. CONCLUSION.

The Commission should disregard Cal Advocates' and CforAT's mischaracterizations of the nature and purpose of the Motion in their Responses. The Motion seeks to strike Testimony discussing equitable ratepayer allocation of economic benefits under Section 854(b)(2), which the Assigned Commissioner excluded from scope of this proceeding in two separate rulings. Failure to follow the Commission's own rules concerning the established scope would invite appellate legal error.[17]

Respectfully submitted this 26th day of June 2025.[18]

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[17] *See* Rule 7.3; *Southern Cal. Edison Co. v. Pub. Utilities Comm'n*, 140 Cal. App. 4th 1085, 1094 (2006).
[18] Pursuant to Rule 1.8(d), Frontier's counsel has Verizon's consent to sign and submit this reply on Verizon's behalf.

Revised Appendix A

The following portions of Dr. Selwyn's testimony should be stricken:

- Executive Summary, portions of pages ix-x and xiv.
- Page 7, line 6
- Page 8, line 16
- Page 10, line 19 through page 11, line 4
- Page 11, lines 6 through 7
- Page 29, line 8 through page 37, line 17
- Page 37, lines 20 through 22
- Page 49, lines 1 through 4 and 7 through 10
- Page 51, lines 31-33
- Page 52, lines 5 through 6 and 11 through 16
- Page 53, line 15 through page 54, line 20
- Page 61, lines 1 through 9
- Page 64, lines 21 through 22
- Page 66, lines 4 through 7
- Page 160, lines 1 through 22

Docket:	:	A.24-10-006
Exhibit Number	:	Cal Adv-01
Commissioner	:	John Reynolds
Admin. Law Judge	:	Elizabeth Fox
Witness	:	Lee L. Selwyn

PUBLIC ADVOCATES OFFICE

California Public Utilities Commission

DIRECT TESTIMONY

OF

LEE L. SELWYN

PUBLIC

San Francisco, California
May 1, 2025

REDACTED FOR PUBLIC INSPECTION

Before the

CALIFORNIA PUBLIC UTILITIES COMMISSION

In the Matter of the Joint Application of Verizon Communications Inc., Frontier Communications Parent, Inc., Frontier California Inc., Citizens Telecommunications Company of California Inc., Frontier Communications of the Southwest Inc., Frontier Communications Online and Long Distance Inc., and Frontier Communications of America, Inc. for Approval of the Transfer of Control of Frontier California Inc. (U1002C), Citizens Telecommunications Company of California (U1024C), Frontier Communications of the Southwest Inc. (U1026C), Frontier Communications Online and Long Distance Inc. (U7167C), and Frontier Communications of America, Inc. (U5429C), to Verizon Communications Inc. Pursuant to California Public Utilities Code Section 854.	Application 24-10-006

Direct Testimony

of

LEE L. SELWYN

on behalf of the

Public Advocates Office
at the California Public Utilities Commission

May 1, 2025

CONTAINS CONFIDENTIAL MATERIAL SUBJECT TO GO 66, PU CODE §583, D.16-08-024 AND COMPANY ATTESTATIONS

DIRECT TESTIMONY OF LEE L. SELWYN

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EXECUTIVE SUMMARY

Approval of this change-of-control requires that it provide short-term and long-term economic benefits to ratepayers, yet no ratepayer benefits that are directly attributable to the transaction have been identified by the Joint Applicants.

On September 5, 2024, Verizon announced its agreement to acquire Frontier for $20-billion in an all-cash transaction. PU Code § 854(b)(1) requires the Commission to find that the proposed change of control will provide short-term and long-term economic benefits to California ratepayers. The Joint Applicants have failed to identify any benefits that would satisfy this requirement. Instead, they have suggested that ratepayers would benefit from the different service plans and pricing being offered by Verizon, as well as from “bundles” of wireline broadband and wireless services that Verizon would bring to Frontier customers for the very first time. Verizon has also included as a “benefit” its claim that its size and strength put it in a superior financial position to assure continued deployment of FTTP broadband.

But the ability to offer different service plans and plans involving the “bundling” of wireline and mobile services does not constitute a qualifying short-term or long-term economic benefit of the Transaction precisely because Frontier could provide substantially the same “benefits” without having to become part of Verizon. The Joint Applicants point to cable companies like Charter and Comcast that are already offering such bundles, but ignore the fact that these cable operators are themselves in exactly the same position as a stand-alone Frontier: Neither of them own nor are owned by any wireless carrier. They are creating wireline/wireless bundles through Mobile Virtual Network Operator (“MVNO”) contracts they have entered into with one or more facilities-based wireless carriers. A stand-alone Frontier has precisely the same ability to enter into similar MVNO contractual arrangements with wireless carriers. Being acquired by Verizon is not a prerequisite to emulating the types of wireline/wireless bundles that are being offered by cable operators and, as such, this cannot be counted as an “economic benefit” that would result from the acquisition.

Verizon also claims as another “benefit” of the acquisition its ability to offer low-income broadband pricing. Frontier has offered low-income broadband services in the past, and continues to offer this on a grandfathered basis to preexisting customers. This is in no sense a “benefit” that is attributable to the merger. In fact, as a result of a recent ruling by the Second Circuit Court of Appeals that the US Supreme Court has let stand, the Commission may already have the authority to require that Frontier reinstate its low-income broadband pricing plans for new customers, and even has the authority to specify the prices to be charged for such service.

Verizon contends that its greater financial strength will be necessary in order to assure that Frontier will be able to meet the 2026 CapEx and FTTP build-out commitments that had been established under a Settlement adopted by the Commission in 2021 when Frontier emerged from its Chapter 11 bankruptcy. This is, of course, an entirely empty gesture on Verizon’s part, inasmuch as Frontier had by early in 2024 already fully met – and exceeded by a considerable amount – those 2026 commitments. Verizon asserts that its greater financial strength will be needed in order for Frontier to pursue future FTTP buildouts. However, nowhere in the Joint Application has Verizon offered any specific commitment as to any additional fiber buildout in California if the merger is approved.

Verizon has, however, identified a number of economic benefits arising from the merger that will inure to Verizon and its shareholders. The Company has advised its investors that the acquisition of Frontier will result in earnings accretion in the range of $500-million annually, that gaining access to Frontier's extensive fiber network will support expansion of Verizon's wireless business into fixed wireless broadband access ("FWA"), and that the service bundles that it will be able to create will reduce churn and produce a 400 to 500 basis point gain in wireless market share overall. PU Code § 854(b) requires that the Commission, prior to approving the merger, find that the proposed transaction (§ 854(b)(1)) "[p]rovides short-term and long-term economic benefits to ratepayers" ~~and (§ 854(b)(2)) that it "[e]quitably allocates, where the Commission has ratemaking authority, the total short-term and long-term forecasted economic benefits ... of the proposed merger, acquisition or control, between shareholders and ratepayers. Ratepayers shall receive not less than 50 percent of those benefits."~~ While Verizon has identified – and has even quantified – substantial economic benefits inuring to itself, it has neither identified nor quantified any substantive "ratepayer benefits" that can be directly attributed to the proposed merger ~~or that would enable the Commission to find that "not less than 50 percent of those [total quantified] benefits" will flow to ratepayers.~~ As such, the requirements of § 854(b)(1) are not being met, ~~and the finding required at § 854(b)(2) cannot be met.~~ Thus, the merger cannot be approved, and the proposed change-of-control should be rejected.

~~The Joint Applicants argue that the benefits sharing requirements of § 854(b)(2) does not apply to this proposed acquisition because the Commission does not *exercise* ratemaking authority with respect to Frontier's services. However, the Assigned Commissioner has now determined that § 854(b)(2) does apply to this transaction, although he has declined to determine that the benefits sharing requirement of §854(b)(2) should be applied here. The Joint Applicants misread the clear language of the statute. The Commission clearly has ratemaking *authority* whether or not it chooses to *exercise* that authority in any specific case. In several prior cases (SBC/Pacific Bell, Bell Atlantic/GTE), the Commission has required that ratepayers be provided with a monetary credit representing the ratepayer share of "short-run" benefits, and that it could rely upon competitive marketplace forces to assure that ratepayers will continue to receive their share of the required long-run economic benefits. Verizon has identified – and quantified – substantial economic benefits to itself – amounting to overall earnings accretion of $500-million annually – but has offered no demonstration or evidence as to how the required share of these economic benefits will flow to ratepayers, either directly or via competitive marketplace forces. Using certain confidential data included with the Joint Application and publicly available data filed with the SEC by Frontier, I have estimated that Frontier's California operations represent between **<<BEGIN JOINT APPLICANTS CONFIDENTIAL>>** % and % **<<END JOINT APPLICANTS CONFIDENTIAL>>** of the total Frontier Parent. Verizon has advised its shareholders that the acquisition will increase Verizon's earnings by $500-million annually. Applying the California share to Verizon's earnings accretion projection, the California share of~~

~~that $500-million will be in the range of << **BEGIN JOINT APPLICANTS CONFIDENTIAL>>** $ and $ **<<END JOINT APPLICANTS CONFIDENTIAL>>** § 854(b)(2) would require that California ratepayers receive, in some manner, not less than about **<<BEGIN JOINT APPLICANTS CONFIDENTIAL>>** $ to $ **<<END JOINT APPLICANTS CONFIDENTIAL>>** annually as their share of these economic benefits. If the Commission approves the proposed acquisition, it should apply the sharing requirements of § 854(b)(2) as the only means to ensure that the requirements of § 854(b)(1) are satisfied and that California ratepayers are substantively benefitted.~~

Lessons for the evaluation of Verizon's proposed reacquisition of Frontier

This is the third time these same two Applicants or their predecessors have asked this Commission to approve a change-of-control involving their companies. In 1999, then-Bell Atlantic and GTE asked the CPUC to approve their merger to form what became Verizon. Then in 2015, Frontier, which had by then acquired most of the former GTE ILECs from Verizon, asked the CPUC to authorize its acquisition of Verizon's former GTE companies in California as part of a three-state transaction (California-Texas-Florida) that represented the final step in Verizon's offloading of its GTE wireline assets. Now Verizon is asking the CPUC to allow it to reacquire those very same wireline assets via its total acquisition of Frontier. Verizon has been in and out of the wireline business in California, making business moves and subsidiary integration strategies that consistently favor its wireless business.

In each of these cases, the CPUC has received – and has relied upon – numerous assurances by these same two Joint Applicants that each of these proposed transactions would result in substantial economic benefits to ratepayers and thus was in the public interest. They also provided numerous assurances both to this Commission and to the FCC of a transparent and problem-free transition from Verizon to Frontier following the 2016 change of ownership, However, in that transition, Frontier experienced massive service interruptions, outages, and other failures that persisted for several months, resulting in investigations by both the California legislature and the CPUC.

High-speed fiber-based broadband continues to be unavailable to a large portion of locations within Frontier's service areas in California.

While Frontier has made a good deal of progress in expanding Fiber-to-to-Premises ("FTTP") high-speed broadband to large portions of its California operating areas, there are still roughly 446,852 customer locations where broadband remains unavailable. Even low-speed DSL remains unavailable across large portions of Frontier's ILEC ser vice areas in California.

Frontier provides service in approximately 146,546 census blocks across 47 of the state's 58 counties. The areas served by Frontier have a total population of 9,720,427 and 3,474,139 individual households. Frontier offers some type of broadband service, either DSL or *FiOS*, in 85,261 census blocks with a population of 8,479,475 and 3,027,287 households. *Only those* *locations where broadband (DSL or FiOS) is available are included in the FCC's Broadband Data Collection (BDC) database.* Thus, Frontier fixed wireline broadband service is not currently available in 61,319 census blocks within its operating areas, with a total population of 1.24-million and 445,182 households. Many of these locations not served by Frontier do have access to fixed wireline broadband from another service provider, most often the cable television company serving their area. Frontier does compete for high-speed broadband access (at 100/20 or more) with the local cable company in 64,934 census blocks with a population of 7.3-million and 2.6-million households. However, where only Frontier *or* the cable company offer fixed wireline broadband access, customers do not currently have a choice among competing providers.

Under the Settlement adopted by the CPUC when Frontier emerged from Chapter 11 bankruptcy in 2021, Frontier committed to add at least 350,000 new FTTP locations by 2026. As of March 1, 2024, Frontier had already met – and exceeded – that commitment. However, as of this date, neither Frontier nor Verizon has made further commitment to any specific quantity of additional FTTP locations to be constructed in California.

The proposed acquisition has important vertical elements that have the potential to diminish competition within the Frontier California service areas that are to be taken over by Verizon.

Verizon's wireless business, Verizon Wireless, is a purchaser of wholesale backhaul and transport services furnished by Frontier over its fiber optic facilities. The US Department of Justice/Federal Trade Commission's *Vertical Merger Guidelines* ("*VMG*") observes that vertical integration of an upstream provider (such as Frontier in this case) and a downstream purchaser (such as Verizon in this case) gives the upstream provider an incentive to raise the wholesale prices it charges to non-affiliated downstream rivals. While the Joint Applicants seek to portray the proposed transaction as primarily horizontal in nature, it presents important vertical opportunities for Verizon that will benefit its wireless products and that could affect the availability of Frontier fiber optic backhaul and transport services that are utilized by Verizon Wireless's competitors. And because Verizon is likely to utilize these Frontier fiber optic assets to support its wireless operations, the transaction has the potential to diminish Verizon's interest in expanding future fiber rollouts in areas not presently being served.

Verizon's witness Dr. Debra Aron attempts to dismiss concerns about Frontier/Verizon vertical integration by suggesting that because carriers routinely purchase wholesale services from, and sell wholesale services to, each other, they collectively operate the wholesale market under a model that she calls "co-opetition," a sort of *kumbaya* where everybody plays nice with each other – what she euphemistically describes as "mutually reliant relationships that discipline any participant's incentives to discriminate against the other." The picture that Dr. Aron paints as to how the wholesale telecommunications market operates has each of the major players buying services from and selling services to their rivals under some sort of tacit (if not overt) understanding as to how each participant is to be treated with respect to each such transaction. What she is actually describing here is *cartel-like conduct* within a cartel consisting of all of the carriers that participate in Dr. Aron's "co-opetition" market model. In this cartel as Dr. Aron describes it, each member of this exclusive "club" is expected to obey certain rules with respect to pricing and availability of the wholesale services under an arrangement that could certainly be described as collusion. Conversely, non-members – i.e., any carrier or other party that does not or that cannot obey these rules, for example, a large user that is only a purchaser and not a seller of wholesale services, or a wireless carrier that does not itself own any significant amount of fiber backhaul or transport facilities – may be subjected to higher wholesale prices or other discriminatory tactics, such as slow-rolling the provisioning of new services, or simply being denied service altogether. If all of the players would be "acting in concert" or cooperating as Dr. Aron suggests (through "mutually reliant relationships that discipline any participant's incentives to discriminate against the other"), they would collectively be deemed oligopolists not subject to serious competition if viewed individually. And if they are cooperating in the manner that Dr. Aron testifies, they are almost certainly cooperating in anticompetitive ways – as a cartel. I find it difficult to believe that Dr. Aron's client, Verizon, would admit to being a member of such a cartel or to engaging in this type of collusion, but that is certainly what her testimony would imply.

However, I do not believe that this fanciful "co-opetition" model actually applies to the US telecommunications industry, which has a very long history of restricting competition through a variety of discriminatory tactics. One does not need to look back very far to see recent examples of precisely such restrictive conduct. The FCC's approval of the Settlement of the 2019 Sprint/T-Mobile merger was conditioned on a plan whereby Sprint would divest its prepaid Boost Mobile business to Dish Networks, cooperate with Dish for a specified period of time with respect to Dish's use of the legacy Sprint services under an MVNO resale arrangement, and potentially to divest certain portions of that spectrum to Dish. The FCC explicitly relied upon the expectation that Dish would emerge as a fourth national facilities-based wireless carrier, thus overcoming the 4-to-3 impact of the Sprint/T-Mobile combination. To help bring about this outcome, in approving the merger, the FCC expressly recognized that the divestiture of Boost could result in increased costs to Boost in its purchase of MVNO wholesale services from the now-non-affiliated post-merger T-Mobile. For this reason, the FCC required, as a condition for approval, that post-merger T-Mobile fulfill a series of commitments to address the potential for lost price competition. Among other things, the FCC adopted specific measures to assure that "the divested Boost Mobile will have low-cost wholesale network access on terms superior to typical MVNOs." One of those specific terms of the 7-year MVNO agreement with T-Mobile was that Dish was to be provided with the use of Sprint's LTE network for three years so as to maintain CDMA service to existing Boost customers during Dish's transition to its own 5G network. In approving the merger, the CPUC required that the "legacy Sprint and T-Mobile customer experience shall not be degraded during the customer migration period." However, after only one year following Dish's acquisition of Boost, T-Mobile announced that it was going to shut down its legacy LTE network and terminate CDMA services to Dish effective January 1, 2022, resulting in Dish having to pursue regulatory action against T-Mobile. Thus, the concerns regarding the impact of the vertical integration of Frontier and Verizon as expressed in Cal Advocates' Protest are entirely consistent with concerns contained in the DoJ/FTC Vertical

Merger Guidelines and with prior FCC actions, and are in no way overcome by Dr. Aron's co-opetition theory.

The acquisition will adversely affect competition because Verizon and Frontier do presently compete with one another in the high-speed broadband market

While far from perfect substitutes, wireline broadband and fixed wireless broadband ("FWA") do compete where both are available. FWA is inferior in most respects to wireline broadband, but it is still a sufficiently close substitute for many customers such that its pricing may interact with that of fixed wireline FTTP broadband. The Joint Applicants concede that Verizon already offers FWA at some locations within Frontier's California footprint and that Verizon plans to expand its FWA footprint. Today, FTTP broadband is being provided by Frontier, and FWA is being provided by Verizon. Following the merger both services will be provided by Verizon. Several Joint Applicant witnesses go to some lengths to dismiss the extent to which FWA should be considered as actually competing with FTTP broadband. But where both are available at a particular location and where FWA is offered at a lower price, customers are able to evaluate the difference in price against the difference in service and, where some customers determine that the price differential is sufficient to overcome the inferior aspects of FWA, the lower FWA price will put some downward pressure on the pricing of wireline broadband. If the merger is approved and Verizon becomes a major if not the dominant provider of both wireline and wireless broadband within what is now the Frontier service area, its ability to set prices and the differential in prices for these two alternative services would certainly enable Verizon to raise prices for both. If the merger is approved, competition as between fixed wireline broadband and FWA would be diminished or eliminated precisely because Verizon will then be competing with itself with respect to these two services.

Dr. Aron's competition analysis seriously understates the extent to which Verizon's Fixed Wireless Broadband Access ("FWA") represent a current as well as an even larger potential competitor to Frontier's fixed wireline broadband services. The FCC Broadband Data Collection ("BDC") database, which Dr. Aron has used as the basis for her competition analysis, provides data on the number of "locations" that are being served by each broadband provider. A "location" as used in the BDC is a single address, which could include one household in a single-family dwelling or multiple households in a multi-family dwelling at that address. Thus, for a multi-unit dwelling with, say, 100 apartments, the BDC would count that as a single "location." For this reason, I believe that "households," as used by the US Census Bureau, provides a more accurate representation of broadband availability than "locations" as provided in the BDC.

The June 2024 BDC database contains data for the entire Frontier ILEC California service areas. However, Dr. Aron confined her analysis to only that portion of the Frontier ILEC service areas where Frontier was providing some type of broadband (DSL or *FiOS*) as of June 2024. By omitting all Frontier-served census blocks where Frontier was not offering any broadband service, Dr. Aron has seriously understated the extent of Verizon's FWA activity within the Frontier footprint. According to Dr. Aron, Verizon FWA was being offered at 625,090 "locations" where Frontier broadband of any type was available as of June 2024, and that this represented 34.62% of the "locations" where Frontier was, at that time, offering any type of broadband service. This 34.62% figure understates the actual extent of Verizon FWA presence in the Frontier footprint for two reasons: First, it omits all Verizon FWA locations within the Frontier footprint but outside of those areas where Frontier was offering any broadband. Second, by using "locations" as defined in the BDC rather than population or households at locations where Verizon FWA service is available, Dr. Aron understates the true size of the potential Verizon FWA market. Had she included all "locations" in other census blocks within the total Frontier ILEC footprint – but where no Frontier broadband is currently offered – she would have found that Verizon fixed wireless was actually available at 926,205 "locations" rather than her 625,090. And had she used households rather than "locations" as her index of market size, she would have found that Verizon FWA is *currently* available to roughly 83.7% of all households within the total Frontier ILEC footprint – substantially more than her 34.6%.

§ 854(b)(3) requires the Commission to find that the proposed change of control will not diminish competition. In this case, however, the vertical integration of Verizon's wireless services with Frontier's broadband fiber network has the potential to diminish competition for high-speed broadband access within Frontier's ILEC operating areas in California because, after the transaction, Verizon will be providing both fixed wireline and fixed wireless broadband within the same geographic market. .

Conditions for approval

The Joint Applicants have failed to demonstrate any "short-term and long-term economic benefits to ratepayers" that would result from the proposed Transaction. As such, the Commission would be hard pressed to find that the proposed change of control satisfies the requirements of § 854(b). ~~However, Cal Advocates has proposed a set of conditions that, if adopted by the Commission as conditions for approval, will help to assure that ratepayers receive economic benefits commensurate with the "not less than 50 percent" requirement of § 854(b)(2).~~

Principal among these proposed conditions is a requirement that Verizon commit to deploy broadband at data rates no less than 100/20, to 100% of Frontier's service territory, with FTTP deployed and available to at least 90% of existing and potential customers in what will become Verizon's California service territory within five years post transaction. Up to now, Frontier has been a "pure play" *wireline* telecommunications carrier. Its strategy for high-speed broadband service has been to extend the *FiOS* Fiber-to-the-Premises infrastructure that it acquired from Verizon in 2016 to successively more customers. While Verizon has also been a major provider of wireline services, there can be little doubt that today *its primary business is wireless*. As of the end of 2024, Verizon was serving nearly 120-million active *wireless* connections, but only a little more than 7-million wireline connections. For the first quarter of 2025, 78.2% of Verizon's total operating revenues came from *wireless* services. FTTP is a far superior form of broadband than Fixed Wireless broadband access ("FWA"). The Commission has long encouraged widespread FTTP or similar high-speed wireline broadband deployment, as demonstrated in one of the key conditions it adopted in the settlement of Frontier's 2021 emergence from Chapter 11 bankruptcy. There is legitimate concern that under Verizon's ownership, the Company would direct its attention away from FTTP and toward FWA and other wireless products. Absent the FTTP deployment condition being recommended by Cal Advocates, there is simply no assurance that, following its takeover of Frontier, Verizon will pursue any additional FTTP deployment at all in California.

The Transaction could be approved if made subject to the conditions being recommended by Cal Advocates, conditions that are intended to assure that California ratepayers will receive significant short-term and long-term economic benefits as expressly requires by § 854(b)(1).

I, Lee L. Selwyn, declare as follows:

INTRODUCTION

1. My name is Lee L. Selwyn. I am Senior Vice President of Economics and Technology, Inc. ("ETI"), 100 Franklin Street, 6th Floor, Boston, Massachusetts 02110. ETI is a research and consulting firm specializing in telecommunications economics, regulation and public policy. My Statement of Qualifications is annexed hereto as Attachment 1 and is made a part hereof.

Qualifications

2. I hold a Ph.D. degree in Management from the Alfred P. Sloan School of Management, Massachusetts Institute of Technology ("MIT"). I also hold a Master of Science degree in Industrial Management from MIT and a Bachelor of Arts degree with Honors in Economics from Queens College of the City University of New York. In 1970, I was awarded a Post-Doctoral Research Grant in Public Utility Economics under a program sponsored by the American Telephone and Telegraph Company, to conduct research on the economic effects of telephone rate structures upon the computer time-sharing industry. This work was conducted at Harvard University's Program on Technology and Society, where I was appointed a Research Associate. I was also a member of the faculty at the College of Business Administration at Boston University from 1968 through 1973, where I taught courses in economics, finance and management information systems. I founded my firm, Economics and Technology, Inc., in January 1972, and served as its President through 2021.

3. I have been actively and continuously involved in the fields of telecommunications economics, policy and regulation since the late 1960s. I have provided expert testimony and analysis on telecommunications economics, technology, rate design, service cost analysis, market structure, form of regulation, and numerous other telecommunications issues before more than forty state public utility commissions, the Federal Communications Commission, the United States Congress, and regulatory bodies in a number of foreign countries, on behalf of commercial organizations, non-profit institutions, and local, state and federal government authorities. Attachment 1 to this Declaration provides a complete record of my publications and prior expert testimony and appearances before regulatory agencies and courts.

4. I have submitted expert reports and testimony in numerous telecommunications regulatory proceedings before the Federal Communications Commission ("FCC") and state public utilities commissions in approximately forty states dating back to the late 1960s, dealing with a broad range of ratesetting and policy matters, including switched and special access charges, price cap regulation, Sec. 251/252 interconnection and unbundling requirements, total service resale and wholesale pricing, universal service, broadband and related Internet access issues, intercarrier compensation, spectrum allocation, handset interoperability, CMRS early termination fees, and many others. I have provided expert testimony in numerous California PUC proceedings dating back to the mid-1970s. A complete listing of these appearances is also included in Attachment 1 hereto.

5. I have had extensive experience with the analysis of consumer and competitive impacts of mergers and spin-offs involving large telecommunications companies, including a number of matters before the California PUC on behalf of the CPUC Public Advocates Office ("Cal

Advocates") or its predecessors, the Office of Ratepayer Advocates or Division of Ratepayer Advocates – A. 96-04-038, SBC/Pacific Bell merger (1996-7); A. 98-12-005, Bell Atlantic/GTE merger (1998); A. 05-02-027, SBC/AT&T merger (2005); A. 05-04-020, Verizon/MCI merger (2005), the Comcast/TWC merger, A.14-04-013/A.14-06-012, the Charter/TWC merger, A.15-07-009; the transfer of control of Verizon's ILEC operations in California, Texas and Florida to Frontier Communications, A.15-03-005, the Sprint/T-Mobile merger, A,18-07-011/12, and most recently, the Verizon acquisition of TracFone, A.20-11-001. In 1993, I submitted testimony on behalf of DRA in I.93-02-028, the "spin-off" by Pacific Telesis Group of its cellular and other wireless subsidiaries. I also submitted expert testimony on similar merger-related issues before the FCC and in several other state PUC matters, including Maine PUC Docket No. 96-388, Bell Atlantic/NYNEX merger (1996), on behalf of the Maine Office of Public Advocate; Connecticut DPUC Docket No. 98-02-20, SBC/SNET merger (1998), on behalf of the Connecticut Office of Consumer Counsel; United States District Court for the District of Columbia, Civil Action No. 1:05CV02102 (EGS), SBC/AT&T merger; Verizon/MCI merger, Civil Action No. 1:05CV02103 (EGS) (1996), on behalf of the National Association of State Utility Consumer Advocates (NASUCA); Illinois Commerce Commission Docket No. 09-0268, Verizon sale of its Illinois exchanges to Frontier Communications, Inc. (2009), on behalf of the People of the State of Illinois and the Citizens Utility Board; and FCC WT Docket No. 11-65, AT&T/T-Mobile merger (2011), on behalf of the Ad Hoc Telecommunications Users Committee.

6. Of particular relevance to the current matter, in 2018 my firm was engaged by the Commission's Communications Division (CD) to undertake an in-depth study of the physical conditions of the AT&T-California (Pacific Bell) and Frontier California (former Verizon

California) local networks over the 2010-2017 period pursuant to R. 11-12-001 and Decisions 13-02-023 and 15-08-041 (the "Network Exam"). That study, which covered the period from January 2010 through December 2017, was completed in April 2019. In February 2020, ETI was once again selected by CD to undertake a second phase of the Network Exam covering the period January 2018 through December 2019. Our Phase 2 report was completed and delivered to CD in June 2021. I directed both phases of this project, and was the principal author of both the Phase 1 and Phase 2 Reports. I will be referring to this work at various points in this testimony.

7. I have published several articles dealing specifically with Net Neutrality and related Open Internet issues, including "Revisiting the Regulatory Status of Broadband Internet Access: A Policy Framework for Net Neutrality and an Open Competitive Internet," (with Helen E. Golding), *Federal Communications Law Journal*, Vol. 63 Num. 1, December 2010. I have also contributed chapters to two recent American Bar Association publications, "Network Industry Markets: Telecommunications" (with Helen E. Golding), Chapter X in *Market Definition in Antitrust: Theory and Case Studies*, ABA Section of Antitrust Law (2012), at pp. 411-436, and "Economic Underpinnings: The Economics of Communications Networks, Market Power, and Vertical Foreclosure Theories" (with Helen E. Golding et al), Chapter I in *Telecom Antitrust Handbook, Second Edition*, ABA Section of Antitrust Law (2013), at pp. 1-61.

8. In addition to my various professional activities, I was an elected Town Meeting Member in the Town of Brookline, Massachusetts from 2009 to 2023, and currently serve on the Town's

Advisory and Finance Committee and Audit Committee, and have served on a special Tax Override Study Committee.

Assignment

9. I have been asked by the Public Advocates Office at the California Public Utilities Commission ("Cal Advocates") to review Application 24-10-006 filed herein by Verizon Communications, Inc. ("Verizon") and Frontier Communications Parent, Inc. and a number of wholly-owned subsidiaries thereof ("Frontier") for Approval of the Transfer of Control over the various Frontier entities to Verizon. I am to review the Joint Applicants' documentation including their Application, supporting testimony, responses to data requests, and other submissions and, based thereon, address the specific issues identified in the January 13, 2025 *Assigned Commissioner Scoping Memo and Ruling* ("Scoping Memo"). In particular, I have been asked to address Scoping Memo Issue 2:

> 2. Does the proposed transaction satisfy the requirements of Pub. Util. Code Section 854(b)?
>   a. Does the proposed transaction provide short-term and long-term economic benefits to ratepayers?
>   b. Does the proposed transaction adversely affect competition?
>
> 6. What commitments have the Applicants made, including additional investments in California, as part of this Application? What methods should the Commission use to determine whether the Applicants have met those commitments? How are these commitments in the public interest?

This is to include an assessment of the various economic and other public interest benefits being ascribed to the transaction by the Joint Applicants, the potential impact of the proposed transaction upon competition for telecommunications services in California, and to offer specific recommendations to the California Public Utilities Commission ("Commission" or "CPUC") as to possible measures that the Commission might impose as conditions for approval that will protect the public interest, together with overall recommendations for the disposition of this Application. Other Cal Advocates witnesses will be addressing various other aspects of these same eight issues.

= THE VERIZON/FRONTIER ACQUISITION

10. Ihis testimony is organized into five principal sections, as follows:

- Section 1 reviews the various claims being advanced b the Joint Applicants regarding the various benefits of Verizon's proposed acquisition of Frontier and the transaction's compliance with the requirement of PUC Code § 854(b)(1) ~~and (b)(2)~~. I explain how the Joint Applicants have failed to demonstrate that the transaction will provide any substantive short-term and long-term economic benefits to ratepayers and that, for that reason, the Commission will be unable to make the findings that § 854 (b)(1) requires.
- In Section 2, I review the current transaction in the larger context of other change-of-control applications submitted to this Commission by these same two Applicants and their predecessors – the 1999 Bell Atlantic/GTE merger, and the 2015 sale of Verizon's California ILECs to Frontier. I show that in those cases, the Joint Applicants advanced many of the very same claims as to economic and other benefits, a large number of which were never realized. For this reason, I recommend that the Commission view the current Application with an appropriate level of scrutiny and skepticism.
- In Section 3, I focus specifically upon the extent to which high-speed broadband service has been made available up to now by Frontier within its California service areas. I show that while the Company has made considerable progress since emerging from bankruptcy in 2021, Frontier is still not offering high-speed broadband service across extensive portions of its service area, and Verizon has offered no commitment as to where or when these areas will be upgraded to Fiber-to-the-Premises (FTTP) broadband under its ownership.

- Section 4 addresses the requirements of § 854(b)(3) that the proposed transaction not adversely affect competition. I will show how the proposed acquisition is likely to diminish competition for high-speed broadband service within the merged company's operating areas. The testimony focuses specifically upon the potential anticompetitive effects of the resulting vertical integration of the wholesale fiber-based backhaul and transport services that Frontier currently furnishes to Verizon Wireless and other facilities-based wireless carriers. I will also show how the acquisition will result in the same company – Verizon – becoming the dominant provider of both wireline FTTP broadband and fixed high-speed wireless broadband – services that compete directly with one another – within the geographic service area that Verizon will be acquiring from Frontier. I will respond specifically to the claims being advanced by Verizon's witness Dr. Debra Aron, who seeks to dismiss the likelihood of these anticompetitive outcomes, and show why her analysis and conclusions suffer from serious flaws and thus should not be relied upon by the Commission.
- Finally, in Section 5, I will summarize the testimony offered by Cal Advocates witness Lucas Duffy as to specific mitigations that the Commission could adopt as conditions for approval, conditions that will help to assure that the requirements of § 854(b)(1)~~, (b)(2)~~ and (b)(3) are satisfied and that the Commission can make the required findings.

1. The Proposed Transaction

11. On September 5, 2024, Verizon announced its agreement to acquire the entirety of the entity currently known as Frontier Communications Parent (hereinafter "Frontier")[1] for $20-billion in what it has described as an all-cash transaction.[2] Frontier Communications Parent is a holding company that directly or indirectly owns all of the Frontier ILECs (including the three that operate in California) as well as various other Frontier entities, such as those in the long distance and broadband Internet access business. As described in the September 5, 2024 announcement, Verizon would pay Frontier shareholders $38.50 per share, which works out to about $9.6-billion in cash, and assume all of Frontier's existing short-term and long-term debt. The acquisition involves the entirety of Frontier's operations in multiple states, and includes the three Frontier ILECs that operate in California – Frontier California Inc., Citizens Telecommuni-

1. Frontier Communications Parent was created in the bankruptcy settlement of what had previously been Frontier Communications, Inc. Frontier Parent is publicly traded under the stock symbol FYBR. On April 18, 2025, FYBR shares closed at 36.11, giving the company a market capitalization of slightly more than $9-billion.

2. Verizon's September 5, 2024 press release and investor conference call, which included an edited transcript "VZ.N - Verizon Communications Inc to Acquire Frontier Communications Parent Inc Call", (https://www.verizon.com/about/sites/default/files/2024-09/VZ_Acquire_Frontier_090524.pdf) valued the deal at $20-billion. However, according to Verizon's Confidential Response to Cal Advocates Data Request 2.51 [Cal Advocates Exhibit A-12-C], **<<BEGIN VERIZON CONFIDENTIAL>>** [redacted] **<<END VERIZON CONFIDENTIAL>>** Although the response cited here is designated as CONFIDENTIAL, the following *public* information is available from the Frontier Communications Parent, Inc. Form 10-Q, September 30, 2024: As of September 30, 2024, Frontier had 249,007,000 shares outstandingwhich, at $38.50 per share, would be approximately $9.587-billion. Long term debt as of that same date was $11.446-billion, while total liabilities (which includes current liabilities, deferred income taxes, pension and other postretirement benefits, and other liabilities, was given as $15.793-billion. Based upon the figures in the Frontier 9/30/24 10-Q, this would put the value of the deal at $25.49-billion. I am not aware of any explanation as to the discrepancies among these three sources as to the total value of the transaction. Cal Adv. Exhibit 05: Appendix to Testimony of Lee L. Selwyn. Hereinafter, any mention of "Exhibit A" refers to the internal enumeration within Exhibit 05.

cations Company of California Inc., and Frontier Communications of the Southwest Inc. – and several other Frontier entities. In all, the combined company would have operations in 31 states plus the District of Columbia.[3]

12. Notably, two of the three ILECs, and the other Frontier entities doing business in California, had been owned by Verizon until March31, 2016, when they were divested to Frontier (see D.15-12=005). Going further back in time, the same California ILECs had been owned by GTE until June 30, 2000, when GTE was merged into Bell Atlantic, which then renamed itself as Verizon Communications, Inc.[4] So the ILECs at issue here have each experienced multiple changes of control – the acquisition of GTE by Verizon in 2000, the 2016 divestiture by Verizon to Frontier, and now the proposed reacquisition of Frontier by Verizon.

The proposed transaction does not satisfy the requirements of § 854(b)(1) because the Joint Applicants have failed to identify any substantive economic benefits to California ratepayers that would result from the acquisition.

13. PU Code § 854(b) requires that the Commission, prior to approving the merger, find that the proposed transaction "[p]rovides short-term and long-term economic benefits to ratepayers" (§ 854(b)(1)) ~~and that it "[e]quitably allocates, where the Commission has ratemaking authority, the total short-term and long-term forecasted economic benefits ... of the proposed merger, acquisition or control, between shareholders and ratepayers. Ratepayers shall receive not less~~

3. *Id.*

4. *Application of GTE Corporation, Transferor, and Bell Atlantic Corporation, Transferee For Consent to Transfer Control of Domestic and International Sections 214 and 310 Authorizations and Application to Transfer Control of a Submarine Cable Landing License*, CC Docket No. 98-184, *Memorandum Opinion and Order*, FCC 00-221, Adopted: June 16, 2000 Released: June 16, 2000 ("FCC BA/GTE Order").

~~than 50 percent of those benefits" (§854(b)(2)). Importantly, the "economic benefits to ratepayers" referred to at § 854(b)(1) are not independent of the "economic benefits to ratepayers" referred to at § 854(b)(2) – the sole distinction being that § 854(b)(2) requires that "not less than 50 percent" of those § 854(b)(1) economic benefits go to California ratepayers.~~ Of course, if the Commission determines that there are no substantive short-term or long-term economic benefits resulting from the Transaction, then § 854(b)(1) is not satisfied, ~~§ 854(b)(2) is inoperative,~~ and the proposed change-of-control should be rejected.

14. As in their two previous "change of control" applications, the same Joint Applicants are once again advancing claims that the proposed reacquisition of all of Frontier by Verizon will satisfy the threshold requirement of § 854(b). As I shall discuss later on in this testimony, many of these claims of economic benefits that have been advised by the Joint Applicants in prior change-of-control applications before the California PUC have failed to materialize, the most recent of which resulted in Chapter 11 bankruptcy for Frontier. However, I am not suggesting here that, merely because such claims have proven to have been wrong in the past would support an inference that they are similarly wrong now. However, what the history of such claims – and their outcomes – *claims made by these same two Applicants* – suggests is that, at the very least, their current claims need to be viewed with extreme skepticism and not be accepted by the Commission solely on the basis of the Joint Applicants' say-so. And if the Commission concludes that the Joint Applicants' claims as to economic benefits arising from this transaction are not based upon anything more than unsupported speculations and overly optimistic assumptions, the requested transaction should not be allowed to go forward.

15. § 854(b)(1) requires the Commission to find, as a threshold condition for approving the transaction, that the proposed acquisition will provide short-term and long-term economic benefits to [California] ratepayers. The operative term here is "benefits to ratepayers." That the proposed transaction may provide benefits to the Joint Applicants and their shareholders is relevant to this determination only to the extent that such benefits also benefit California ratepayers. As I shall explain below, they do not.

16. That the proposed transaction will result in clear financial benefits for Frontier shareholders is amply demonstrated by the fact that roughly 63% of them supported the Frontier Board of Directors' decision to sell the Company to Verizon for $38.50 per share plus Verizon assumption of all outstanding Frontier debt.[5]

17. That the transaction is expected to result in substantial financial and competitive benefits for Verizon shareholders was made clear by Verizon CEO Hans Vestberg and others at the September 5, 2024 investor conference call:

> It's important to note that everything we're talking about today is 100% aligned with our core strategy to grow connections and value of customer relationship at the highest return on investment, and is aligned to our three financial pillars: grow service revenue and expand EBITDA and free cash flow. We have been on a journey focused on executing on our strengths while leading the industry and expanding options for both our consumers and business customers. Acquiring Frontier and its fiber assets is an important next step for us.

5. *Wall Street Journal*, "Verizon's Takeover of Frontier Communications Wins Shareholder Support," November 13, 2024, "... about 63% of stockholders ended up approving the all-cash takeover, according to Frontier. The broadband provider said 10 of its top 12 shareholders approved the transaction." https://www.wsj.com/business/telecom/verizons-takeover-of-frontier-set-to-clear-shareholder-vote-b5b2a5c7 *See also*, Frontier Press Release, 11/13/2024, "Frontier Stockholders Approve Acquisition by Verizon" https://investor.frontier.com/news/news-details/2024/Frontier-Stockholders-Approve-Acquisition-by-Verizon/default.aspx

* * *

> Finally, the acquisition delivered substantial financial benefits. It is expected to be accretive to our revenue and adjusted EBITDA growth at close and to deliver significant cost synergies and maintain our strong balance sheet and capital allocation priorities. We see tremendous opportunity with Frontier as part of our team. The nation's best carrier is adding more size and scale to its fiber portfolio to pair with our rapidly growing fixed wireless access customer base. With unparalleled strength in broadband and wireless, the best wireless network and the best customer base, we are differentiated from our competitors in a significant way.[6]

* * *

> In terms of deal structure, we are acquiring Frontier for $38.50 per share in cash, representing an enterprise value of $20 billion. We expect to refinance Frontier's existing debt and inherent its existing net operating tax losses. The acquisition is expected to be accretive to revenue and adjusted EBITDA growth rates upon closing and accretive to EPS beginning in 2027. We see at least $500 million in run rate operating cost synergies expected to be realized by year three.[7]

18. The specific "ratepayer benefits" that have been enumerated by the Joint Applicants in their Application are nowhere as definitive as those being promised to shareholders. The Joint Applicants have identified only the following specific benefits that they claim will inure to California ratepayers:

- Following the close of the Transaction, Verizon will offer its service plans to current Frontier customers. Critically, this includes a national low-income broadband plan and bundled service options not offered by Frontier today. Post-Transaction, consumers in

6. Verizon 9/5/24 Form 8-K, Ex. 99.3, 9/5/24 investor briefing, edited transcript.

7. *Id.*, Anthony Skiadas, Verizon Communications Inc Chief Financial Officer

the Frontier territories will have access to the full range of Verizon service plans, which provide a variety of speed and pricing choices for next generation services.[8]

- Consumers in the Frontier California territories will benefit from an opportunity to select the optimum combination of services for their individualized needs from an expanded menu of services.[9]

- Current Frontier customers and any new customers in the Frontier territories in California will also benefit from consistent pricing. Frontier has commonly offered promotions that provide an incentive or low introductory rate for new customers for a specified period. By contrast, Verizon does not engage in extensive promotional pricing; rather, customers pay the same rates whether they are a new customer or an existing one.[10]

- Frontier does not have a mobile wireless offering and is thus at a competitive disadvantage to companies with more robust bundling options, including cable companies that offer mobile services through mobile virtual network operator agreements. Verizon's discounted bundles of home broadband, mobility, and other services will be extended to Frontier customers and any new customers in the Frontier territories, resulting in significant savings.[11]

- Frontier customers and any new customers in the Frontier territories will benefit from added amenities and expanded choices. For example, several of Verizon's Fios fiber plans offer certain forms of Wi-Fi for free and exclusive third-party protection services, such as Cloud and Verizon Home Device Protect. In addition, depending on their plan, Frontier customers will receive better content choices, including Apple One; a Disney bundle including Disney +, Hulu, and ESPN +; Netflix; Max; YouTube premium; and Walmart + membership.[12]

- [Frontier's] debt obligations may place a significant strain on Frontier's ability to make additional investments in its network going forward. Specifically, its current debt level will impact Frontier's ability to obtain additional debt or equity

8. Joint Application, at 12.

9. *Id.*, at 11.

10. *Id.*

11. *Id.*, at 11-12.

12. *Id.*, at 14.

> financing on favorable terms. This will make it harder for Frontier to keep investing in fiber at the level necessary to compete and meet the needs of its customers ...[13] with a market capitalization of approximately $185 billion,4 and revenues of approximately $134 billion and free cash flow of $18.7 billion in 2023,5 Verizon has the financial qualifications to undertake the Transaction and operate the Frontier companies and assets. ... Frontier does not have funding in place for further investment or additional fiber buildouts beyond that point. The Transaction will ensure that Frontier's current planned buildout is completed (if not completed by closing) and provide financial resources to consider future fiber deployment.[14]

19. With respect to the proposed Transaction at issue here, the Joint Applicants – and mainly Verizon (the acquiring party) – have proffered the following as "short-term and long-term economic benefits to ratepayers:"

- The Transaction will maintain or improve the financial condition of Frontier and its operating subsidiaries in California. Frontier faces significant obstacles to its continued growth and long-term competitiveness. After an extensive review of all opportunities available to navigate its future competitiveness, Frontier determined that the Transaction would allow the continuation of Frontier's fiber deployment strategy and will result in better service options for Frontier customers.[15]

- Verizon's proposed acquisition of Frontier will produce substantial benefits for California 2 consumers by bringing its resources and award-winning industry expertise to bear in enhancing Frontier's fiber network and expanding consumer choices.[16]

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13. *Id.*, at 3.

14. *Id.*, at 6.

15. Verizon opening Panel testimony, at 8 (Vasington).

16. *Id.*, at 9.

- The Transaction will ensure that Frontier's current planned buildout is completed (if not completed by closing) and provide financial resources to consider future fiber deployment.[17]

- In addition to service reliability, the Transaction will extend Verizon's award-winning customer service and premium offerings to Frontier's customers. ... The Transaction will enable current Frontier customers, as well as any new customers in Frontier's California footprint, to enjoy this superior level of service going forward.[18]

- Following the close of the Transaction, many consumers in the Frontier territories, including customers in California, will be able to purchase for the first time a low-income broadband plan voluntarily made available by Verizon over Fios and other bundled plans, which Verizon offers to consumers throughout its footprint. Critically, similar plans and bundled service options are not offered to consumers by Frontier today.[19]

- Frontier's current customers and any new customers in the Frontier-served areas of California will be able to further personalize their plans to best suit their needs. Verizon offers a variety of advanced, next-generation services that can be tailored or combined. ... consumers in Frontier's territory in California will benefit 25 from an opportunity to select the optimum combination of services for their individualized needs from an expanded menu of services. As a result, they will be able to enjoy the enhanced 1 consumer choice and convenience that Verizon customers enjoy today.[20]

- Consumers in Frontier's territory in California will also benefit from consistent pricing. 4 Frontier has commonly offered promotions that provide an incentive or low introductory rate for 5 new customers for a specified period. In contrast, Verizon does not engage in extensive 6 promotional pricing; rather, customers pay the same rates whether they are a new customer or an 7 existing one.[21]

- Frontier does not have a mobile wireless offering and is thus at a competitive disadvantage to companies with more robust bundling options, including cable companies that offer mobile services through mobile virtual network operator agreements. Verizon's

17. *Id.*

18. *Id.*, at 13, 14.

19. *Id.*, at 13.

20. Verizon opening panel testimony (Nugent), at 15-16.

21. *Id.*, at 16.

discounted bundles of home broadband, mobility, and other services will be extended to Frontier customers and any new customers in California, resulting in significant savings.[22]

- Current Frontier customers and any new customers in California will benefit from added amenities and expanded choices. For example, several of Verizon's Fios fiber plans offer certain forms of Wi-Fi for free and exclusive third-party protection services, such as Cloud and Verizon Home Device Protect. In addition, depending on their plan and continued availability, Frontier customers will have new content service choices – currently, the third-party content choices under Verizon's myHome program include Apple One; a Disney bundle including Disney+, Hulu, and ESPN+; Netflix; Max; and YouTube premium as well as a Walmart+ membership.[23]

20. It is instructive, in evaluating the various "ratepayer benefits" being ascribed by Verizon to the current transaction, to review the various "ratepayer benefits" that Frontier had enumerated in support of its 2015 Application to acquire Verizon's California operating companies. Testifying for Frontier, Kathleen Abernathy, Executive Vice President – External Affairs for Frontier (and former FCC Commissioner), highlighted what the Company had considered to be the principal ratepayer benefits that would result from the sale of Verizon's California ILECs and related operations to Frontier:

- Frontier's strategic commitment in California, as in other states, is to prioritize network investment to deliver increased broadband speeds, more extensive geographic coverage, and improved service to Frontier's customers.[24]

- Frontier's ongoing commitment to network investment and the introduction of innovative advanced services that rely upon the capabilities of the network are compelling demonstrations of the short term and long-term benefits, including the

22. *Id.*

23. *Id.*

24. A.15-03-005, Prepared Direct Testimony of Kathleen Quinn Abernathy Executive Vice President – External Affairs on Behalf of Frontier Communications Corporation, May 11, 2015 [Cal Advocates Exhibit A-16], at 33.

opportunity for enhanced economic development that California can expect as a result of the proposed Transaction.[25]

- Frontier's focus on wireline communications will strengthen the Verizon California operations, better assure job opportunities, support customers, and drive economic growth.[26]

- To provide the Commission and consumers with certainty regarding the rates for service, Frontier is prepared to agree to a rate cap for one year following the closing of the Transaction.

In the Joint Application in that case, Frontier identified several additional ratepayer benefits:

- Customers will benefit from new service options as well, including Frontier's branded products and services, such as Frontier Secure – "a suite of products aimed at managing the digital experience for customers. The service is designed to provide value and simplicity to meet customers' ever-changing needs. Frontier Secure offers products and services to protect key aspects of digital life, including computer security, cloud backup and sharing, identity protection, equipment insurance and 24/7 premium U.S.-based technical support. These products and services are sold nationwide directly to retail customers and small businesses and wholesale through strategic partnerships."[27]

- Additionally, customers will benefit from Frontier's local engagement management model, and Frontier's focus on its core business model of serving rural, suburban, and urban wireline markets and driving broadband deployment in those areas. This will improve the health of California's overall telecommunications market and provide increased benefits to customers statewide.[28]

25. *Id.*

26. *Id.*

27. A.15-03-005, Joint Application, at 19-20, and fn.22.

28. *Id.,* at 20.

21. So both Frontier in 2015 and Verizon in 2024 are proffering as "ratepayer benefits" arising from the transaction: New and innovative services; and more fiber deployment. Notably, in 2015, Frontier emphasized its primary commitment to wireline services as assuring increased broadband availability. In 2024, Verizon emphasizes its commitment to both wireline broadband and fixed and mobile wireless services as assuring increased deployment of broadband. Verizon also places particular emphasis upon its ability to integrate Frontier's wireline services with Verizon's wireless services, to offer bundles of both to its customers post-acquisition as constituting a ratepayer benefit specifically arising from the acquisition.

Offering different service plans and "bundling" wireline and mobile services do not constitute a short-term or long-term economic benefit of the Transaction precisely because there is nothing to stop Frontier from pursuing one or both of these initiatives without having to be acquired by Verizon.

22. While Verizon seeks to attribute these particular benefits as resulting from the proposed acquisition, neither of the two Joint Applicants offer any explanation as to why a stand-alone Frontier is or would be unable to furnish these very same "ratepayer benefits" to California consumers. For example, Verizon states that "[following the close of the Transaction, Verizon will offer its service plans to current Frontier customers," and suggests that its plans and pricing would be more advantageous to these customers. Left unexplained is why Frontier does not or could not already be offering a similar range of service plans to its customers assuming, of course, that Verizon's plans and pricing are actually more advantageous to consumers. One possible explanation is that Frontier may not confront the same level of competition as Verizon nationally, and thus is less compelled to respond to competitive pressure in designing its service

plans and setting its prices.[29] As I shall discuss below, there are extensive areas within Frontier's California operating areas where the only provider of high-speed wireline broadband is Frontier. The Joint Applicants fail entirely to explain why the acquisition is a necessary prerequisite for these different plans and pricing to be offered to California ratepayers.

23. Similarly, the Joint Applicants contend that the acquisition will enable Verizon to offer bundles of wireline broadband and wireless services that are beneficial to customers and, in so doing, are implicitly suggesting that Frontier would be unable to offer bundles of wireline broadband and wireless services without becoming part of Verizon. Such a claim is baseless. "Bundling" of multiple services may be beneficial to customers,[30] but it is also beneficial to the service provider to the extent it results in less churn or otherwise forces customers to purchase more than they actually need.[31] The Joint Applicants state that "Frontier does not have a mobile wireless offering and is thus at a competitive disadvantage to companies with more robust

29. To whatever extent that is the case, the Joint Applicants have offered no evidence that the Transaction would result in increased competition within what is now Frontier's California service area. Indeed, the only evidence being advanced with respect to the Transaction's impact on competition is by Dr. Aron, but her testimony claims only that the Transaction would not diminish competition, not that it would result in increased competition.

30. Bundling may not always be beneficial to customers. For example, cable companies have long created large bundles of cable channels that effectively force those customers who only want a few of them to purchase the whole bundle. As streaming services that can be purchased individually began to compete with cable, some cable companies have found themselves forced to "unbundle" many of their channel packages.

31. See, for example, the remarks by Verizon's Joseph Russo, President, Verizon Global Networks and Technology at the September 5, 2024 Investor Conference Call the transcript of which is included in Verizon's SEC Form 8-K filing of that same date, who noted that "when you bring wireless and fiber together, we see a 50% reduction in mobility churn." Verizon 9/5/24 Form 8-K, Ex. 99.3

bundling options, including cable companies that offer mobile services through mobile virtual network operator agreements."[32]

24. That the Joint Applicants have offered bundling of wireline broadband and mobile wireless as a "benefit" that is specifically attributable to the proposed acquisition is particularly curious – actually, it's rather astonishing – in that those very same "cable companies that offer mobile services" do not themselves typically own any licensed Commercial Mobile Radio Service ("CMRS") spectrum, cell sites, or backhaul facilities. In that respect, cable companies that offer wireless services but that do not own any facilities-based CMRS spectrum or infrastructure are no different than Frontier, which also does not own any facilities-based CMRS spectrum or infrastructure. As the Joint Applicants themselves state, cable companies that offer mobile wireless services do so "through mobile virtual network operator agreements" (so-called "MVNOs") entered into with facilities-based CMRS providers such as AT&T Mobility, Verizon Wireless, or T-Mobile. Cable MSOs such as Comcast and Charter are basically *resellers* of mobile wireless services they purchase at wholesale from one or more facilities-based CMRS carriers.[33] They may also utilize company-owned wi-fi routers located on their broadband customers' premises (and typically rented to their broadband customers) as "hot spots" enabling them to furnish mobile wireless services via wi-fi without the use of a CMRS carrier's facilities where the user happens to be within the range of such a hot spot. The key takeaway here is that cable companies are able to offer mobile wireless services – and to bundle them with their cable

32. Joint Applications, at 11-12.

33. *See*, e.g., Charter's *Spectrum* service bundles, https://www.spectrum.com/packages ; Comcast's *Xfinity* bundles, https://www.xfinity.com/overview?INTCMP=ILC:MA:GEN:GEN5b9ab8ad1e540

and/or broadband offerings – without actually *owning* or being a corporate affiliate of the CMRS carrier with which they have an MVNO agreement. Indeed, to the extent that Frontier's extensive fiber infrastructure is used to support backhaul and transport functions for facilities-based CMRS carriers and its *FiOS* customers utilize Frontier-owned wi-fi routers than can also be used as mobile hot-spots, Frontier may actually be in a better position to bundle wireline and resold wireless services than any cable company. There is simply no reason why Frontier could not already be offering mobile wireless services via an MVNO agreement with a facilities-based mobile wireless carrier *without having to become part of Verizon*. In that sense, the Frontier California ILECs' ability to bundle wireline broadband (or any of their other wireline services) with mobile wireless services furnished by a facilities-based CMRS provider cannot be considered in any way to constitute an "economic benefit of the Transaction."

25. More generally, "bundling" of services – or of any types of products and/or services – does not actually require common ownership of the included items. For example, T-Mobile offers several mobile wireless plans that are bundled with streaming services like Netflix, Apple TV+, Hulu, and MLB-TV.[34] T-Mobile is able to offer these bundled streaming services even though it does not own, is not owned by, nor is it an affiliate of, Netflix, Apple, Hulu, or Major League Baseball. In fact, as Verizon has testified here, it is similarly offering streaming content, including Apple One; a Disney bundle including Disney +, Hulu, and ESPN +; Netflix; Max; YouTube premium; and Walmart+ memberships to its wireless customers, even though, like T-Mobile, Verizon does not own, is not owned by, nor is it an affiliate of, any of these streaming

34. "T-Mobile Adds Hulu to its Streaming Suite, Un-carrier Customers Now Get the Best Entertainment Bundle in Wireless," January 3, 2024, https://www.t-mobile.com/news/offers/t-mobile-adds-hulu-to-its-streaming-suite

services.[35] By characterizing the ability to bundle wireline broadband and wireless services, or bundling these services with content, as "benefits" of the acquisition, the Joint Applicants are implicitly claiming that Frontier would be unable to offer similar bundles without Verizon ownership. That is, of course, flat wrong. In no sense can the ability of the post-acquisition California ILECs to offer these types of bundles be considered an "economic benefit" of the Transaction precisely because the stand-alone Frontier can do exactly the same thing on its own.

26. As in the cases of the cable MSO and T-Mobile cited here, companies not otherwise affiliated with one another routinely enter into joint marketing agreements under which bundles of their products and/or services are offered to customers. These may be accomplished through resale-type arrangements, such as the MVNO arrangements offered by CMRS carriers, or as joint ventures involving the participating companies under some type of revenue and/or profit-sharing agreement. "Bundles" may also be created by third parties that own none of the component providers of the bundled items – a good example of this are travel agents that create bundles of airline tickets, hotel accommodations, and other trip-related amenities. The point is that bundling does not require ownership, and the Joint Applicants here have offered no basis as to why the type of bundling they contemplate requires the acquisition that is being proposed here.

35. See Joint Application at 14 and fn. 17, citing Stevie Rosignol-Cortez, How Verizon is Bundling Streaming Services to Win Customers, BARRON'S (Oct. 11, 2024), https://www.barrons.com/articles/verizon-stock-ceo-netflix-maxdisney-bundle-2900fb51.

Verizon also includes as a "benefit" of the acquisition its ability to offer low-income broadband pricing, but the Commission already has the authority to require that Frontier reinstate its low-income broadband pricing plans without any Verizon involvement.

27. Verizon also claims as a "benefit" of the Transaction its ability to offer "a national low-income broadband plan and bundled service options not offered by Frontier today."[36] Verizon claims that Frontier does not currently offer similar low-income broadband pricing,[37] but that assertion is not precisely correct. As Frontier states in its response to Cal Advocates Data Request 2.3 [Cal Advocates Exhibit A-4], "Frontier provided benefits under the FCC's Emergency Broadband Benefit (EBB) program and Affordable Connectivity Program ('ACP') during the periods the programs were in effect. Frontier also had two separate programs available to low-income consumers subscribing to service prior to February 2024 and which continues to be provided to consumers that subscribed to the service before that time: the 'Affordable Broadband' program and the 'Frontier Fundamental Internet' program."[38] Thus, Frontier continues to offer these last two low-income rate plans on a grandfathered basis.

28. To whatever extent the Commission, or the California legislature, considers the continued availability of a low-income broadband service in Frontier service areas to be important, the CPUC likely has the authority to order Frontier to resume offering some type of low-income broadband pricing to new customers. The proposed Transaction is not required for this to be accomplished. Counsel has made me aware of a recent appellate ruling by the 2nd

36. Joint Application, at 10.

37. *Id.*

38. Frontier Response to Cal Advocates Data Request 2.3 [Cal Advocates Exhibit A-4], January 8, 2025.

Circuit Court of Appeals, which the US Supreme Court let stand by its denial of *certiorari*,[39] that appears to confirm the CPUC's authority in this regard. The case involved a 2021 New York State statute, the *Affordable Broadband Act (ABA), and* seems directly on point here The ABA established a maximum monthly rate of $15 for broadband Internet access furnished to qualifying low-income consumers. Several ISP trade associations in New York challenged the statute, arguing that setting rates for broadband access was federally preempted. Although they had prevailed at the District Court level,[40] the 2nd Circuit disagreed, and reversed the lower court decision, determining that

> Turning to the merits, we conclude as follows. First, the Communications Act of 1934 (as amended by the Telecommunications Act of 1996) does not wholly preempt states from regulating the rates charged for interstate communications services, because the Act does not establish a framework of rate regulation that is sufficiently comprehensive to imply that Congress intended to exclude the states from entering this field. Second, the ABA is not conflict-preempted by the Federal Communications Commission's 2018 order classifying broadband as an information service. That order stripped the agency of its statutory authority to regulate the rates charged for broadband internet, and a federal agency cannot exclude states from regulating in an area where the agency itself lacks regulatory authority.

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39. *New York State Telecommunications Association, Inc., CTIA - the Wireless Association, ACA Connects - America's Communications Association, US Telecom - the Broadband Association, NTCA - the Rural Broadband Association, Satellite Broadcasting and Communications Association, on Behalf of Their Respective Members, Plaintiffs-Appellees, v. Letitia A. James, in Her Official Capacity as Attorney General of New York, Defendant-Appellant*. 101 F.4th 135 *; 2024 U.S. App. LEXIS 10168 , *Cert. Denied*, US Supreme Court, *N.Y. State Telecomms. Ass'n v. James*, 2024 U.S. LEXIS 5053 (U.S., Dec. 16, 2024).

40. *New York State Telecommunications Association, Inc., CTIA - the Wireless Association, ACA Connects - America's Communications Association, US Telecom - the Broadband Association, NTCA - the Rural Broadband Association, Satellite Broadcasting and Communications Association, on Behalf of Their Respective Members, Plaintiffs-Appellees, v. Letitia A. James, in Her Official Capacity as Attorney General of New York, Defendant-* United States District Court for the Eastern District of New York. No. 21-cv-2389.

Thus, because the FCC had classified broadband access as a Title I service, it effectively stripped itself of ratemaking authority and, unlike other sections of the federal *Communications Act of 1934*, as amended by the *Telecommunications Act of 1996*, Title 1 did not itself affirmatively preclude states from regulating broadband rates. This decision would presumably apply to any state regulatory commission, including the CPUC.

29. Other than describing the offering of Verizon services and plans to Frontier customer as a "benefit," the other principal "benefit" being claimed by the Joint Applicants is that Verizon has the capital resources to assure completion of Frontier's current fiber build-out commitments. Notably, Verizon makes no specific commitment for any additional fiber build-out following its takeover. This can hardly be considered an "economic benefit" of the acquisition; indeed, the Joint Applicants even concede that the Frontier's current planned fiber build-out may well be completed by the Transaction's closing date.[41] And in fact, as I discuss below, Frontier's 2026 fiber build-out commitments have already been fully achieved – and exceeded – as of March 1, 2024. In the absence of more specific –and quantifiable – economic benefits that can be attributed to the proposed acquisition, the threshold requirement of § 854(b)(1) is not satisfied.

Verizon's contention that Frontier will be unable to meet its 2026 CapEx and FTTP build-out commitments without Verizon's financial strength is an entirely empty gesture, inasmuch as Frontier had already fully meet those 2026 commitments by 2024.

30. In each one of the three change-of-control transactions involving these same Applicants, the Commission has been told that the transaction would provide the post-merger company with

41. Joint Application, at 6.

increased strength, financially and otherwise, to support increased investment in broadband. In both the 2016 Verizon/Frontier divestiture order and in the 2021 Frontier bankruptcy settlement,[42] the Commission has imposed conditions requiring expanded broadband deployment. Frontier appears to have actually met *and even exceeded* those fiber buildout commitments[43] and, in fact, has already met and exceeded the December 31, 2026 350,000 FTTP buildout commitment,[44] having built out FTTP to **<<BEGIN FRONTIER CONFIDENTIAL>>** [redacted] **<<END FRONTIER CONFIDENTIAL>>** locations as of April 25, 2024.[45]

31. Yet in the current case, the Joint Applicants now claim that Frontier standing alone would not be able to meet the 2026 Fiber-to-the-Premises ("FTTP") broadband buildout conditions specified in the Settlement and adopted by the CPUC in D.21-04-008 without the additional capital that Verizon would bring to the table.[46] Dr. Aron, citing Verizon's opening panel testimony, says: "I note that Verizon argues that it is in a substantially stronger financial position than Frontier to ensure that Frontier's fiber investment plans already announced through

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42. *Application of Frontier Communications Corporation, Frontier California Inc. (U1002C), Citizens Telecommunications Company of California Inc. (U1024C), Frontier Communications of the Southwest Inc. (U1026C), Frontier Communications Online and Long Distance Inc. (U7167C), Frontier Communications of America, Inc. (U5429C) for Determination that Corporate Restructuring is Exempt from or Compliant with Public Utilities Code Section 854*, A.20-05-010. *Decision Approving Corporate Restructuring with Conditions*, D.21-04-008, April 20, 2021, at Ordering Paragraph 4 (pp. 68-74), Attachments 1-3 Settlement Agreements.

43. Frontier Quarterly Compliance Report in compliance with Ordering Paragraph 4 (e) of California Public Utilities Commission Decision No. D.21-04-008, at 33.

44. D.21-04-008, April 15, 2021, at 51; *see also*, D.21-04-008, Attachment 1, at 15.

45. Frontier Confidential Response to Cal Advocates Data Request 3.20 [Cal Advocates Exhibit A-5], D.21-04-008 C.21 Frontier March 1 2024 [CONFIDENTIAL] (FTR10534).xls . In its April 21, 025 Confidential Response to Cal Advocates Data Request 5.1 [Cal Advocates Exhibit A-8-C],, Frontier now states that as of April 17, 2025 it has constructed **<<BEGIN FRONTIER CONFIDENTIAL>>** [redacted] **<<END FRONTIER CONFIDENTIAL>>** new FTTP locations since and including 2021.

46. Joint Application, at 6.

2026 are completed and to pursue future fiber investments. Verizon also testifies in this proceeding that one of the purposes of the acquisition is to expand fiber access in California and elsewhere."[47] But Frontier has already met and exceeded the December 31, 2026 350,000 FTTP buildout commitment. Thus, the Verizon acquisition is not required so as "to ensure that Frontier's fiber investment plans already announced through 2026 are completed" and, as such, there is no "economic benefit" with respect to enabling Frontier to meet its earlier – and now fulfilled – 2026 fiber buildout commitment.

Verizon has offered no specific commitment as to expanding the availability of FTTP and high-speed FiOS broadband to the 446,852 Frontier households that are currently unserved.

32. More importantly, Verizon has not offered any specific commitment "to pursue future fiber investment" in connection with the proposed-to-be-acquired Frontier service area in California. And without a specific and firm fiber buildout commitment, the possibility that Verizon might possess greater financial strength than Frontier hardly constitutes the type of "short-term and long-term economic benefit" that the Transaction is required to provide in order to satisfy § 854(b)(1). To the best of my knowledge and belief, at no time prior to the September 5, 2024 announcement of Verizon's agreement to purchase Frontier, had Frontier ever advised the CPUC that it would be unable to fulfill those buildout commitments. Thus, absent any Verizon commitment to additional fiber deployment, Verizon brings nothing – i.e., no economic benefit – to the table with respect to fiber availability in Frontier's service area.

47. Aron testimony, at 19, A19, citation omitted.

33. Broadband availability has become as important today as voice telephone service had become a century ago. If this proposed reacquisition is approved, it is critical that the Commission impose broadband deployment conditions that would both provide for broad coverage of currently unserved and underserved areas, as well as enforcement provisions that will help to assure that such conditions, which would necessarily have to be agreed to by Verizon, are actually achieved.

~~§ 854(b)(2) applies to this proposed acquisition because the Commission has ratemaking authority with respect to Frontier's services.~~

~~34. § 854(b)(2) requires that any proposed change of control transaction "[e]quitably allocate[], where the commission has ratemaking authority, the total short-term and long-term forecasted economic benefits, as determined by the commission, of the proposed merger, acquisition, or control, between shareholders and ratepayers. Ratepayers shall receive not less than 50 percent of those benefits." In its *Protest*, Cal Advocates has argued that § 854(b)(2) applies to this transaction,[48] and the Assigned Commissioner has issued a ruling confirming that "the Commission has the authority to review this transaction under Section 854(b)(2)," but that he "decline[s] to use the Commission's authority to do so at this time."[49] Whatever the Commission may ultimately decide with respect to the application of the sharing requirement in this case, I believe that it is nonetheless instructive to examine and compare the potential amount of benefits sharing that § 854(b)(2) would require *vis-à-vis* the *de minimis* level of specific short-~~

~~48. Cal Advocates *Protest*, at 5-6.~~

~~49. A.24-10-006, *Assigned Commissioner's Ruling Denying Motion to Amend Scoping Memo*, April 16, 2025, at 6-7.~~

~~term and long-term economic benefits that the Joint Applicants have actually identified as flowing *to ratepayers* from this proposed acquisition.~~

~~If the Commission approves the proposed acquisition, it should apply the sharing requirements of § 854(b)(2) to ensure that California ratepayers are substantively benefitted.~~

~~35. As I have discussed above, the specific "ratepayer benefits" that the Joint Applicants have identified – to the extent that any at all have actually been identified – are in any case immeasurably small. Yet § 854(b)(1) requires the Commission to find that the proposed acquisition "will provide short-term and long-term economic benefits to [California] ratepayers." Thus, some application of the § 854(b)(2) sharing requirement appears to be necessary in order to assure that the requirements of § 854(b)(1) will be satisfied. The Commission has applied the explicit sharing requirement called for at § 854(b)(2) in several Bell company change-of-control proceedings in the late 1990s and in 2000,[50] but limited the explicit "sharing" allocation to benefits anticipated during the initial 5.6 years for the Pacific Telesis/SBC merger, and 5 years for the BA/GTE merger, finding that once effective competition had developed, the post-merger companies would be compelled by competitive marketplace forces to flow some portion of their economic benefits through to ratepayers in the form of market-driven lower prices:~~

> ~~As we noted in the SBC/Telesis decision, the level of competition is among the principal factors in defining the long-term. (D.97-03-067, 71 CPUC2d 351, 375.) We consider the level of competition not only in a static sense (e.g., current market share, current number of competitors), but also in a dynamic sense (e.g.,~~

~~50. Sharing of short-term and long-term economic benefits with ratepayers was required by the CPUC in A.96-04-038, D.97-03-067, the SBC/Pacific Bell merger (1996-97) and in A.98-12-005, D.00-93-021, the Bell Atlantic/GTE merger (1998-2000).~~

> ~~changes in market share; changes in numbers of competitors; the pace of change in technology, the industry, and the market, including regulatory changes).~~
>
> ~~We are convinced by applicants here that they face the likelihood of robust competition in California markets, and that technology, the industry, and the market are changing. ...~~
>
> ~~While we believe competition will eventually be robust, we are not as confident as applicants, however, of its vigor within four years. Rather, as TURN points out, competition in GTE's service area may develop somewhat more slowly than in Pacific's service area. ...~~[51]

~~36. Here, the Joint Applicants argue that § 854(b)(2) does not apply to them or to the proposed Transaction:~~

> ~~Section 854(b)(2) requires that any proposed transaction "[e]quitably allocates, *where the commission has ratemaking authority*, the total short-term and long-term forecasted economic benefits, as determined by the commission, of the proposed merger, acquisition, or control, between shareholders and ratepayers." ... [does not apply to] Frontier's California Operating Subsidiaries since, given their status as URF carriers, *the Commission does not exercise ratemaking authority* over the Frontier California ILECs. ... Because these companies are not price-regulated, the economic benefits of the Transaction will flow to ratepayers through the operation of market forces.~~[52]

~~37. The Joint Applicants point to the provision in § 854(b)(2) that the requirement for sharing of economic benefits can be imposed only "where the Commission has ratemaking authority." They contend that they are exempt from the sharing obligation under § 854(b)(2) because "the Commission does not *exercise* ratemaking authority" with respect to any of the Frontier companies operating in California. I believe that the Joint Applicants misread the clear~~

~~51. D.00-03-021, at 46-50.~~

~~52. Joint Application, at 13, footnote references omitted, emphasis supplied.~~

~~language of the statute. They contend that because the Commission no longer sets or approves Frontier's California ILECs' rates, this "ratemaking authority" is no longer being exercised, and as such § 854(b)(2) does not apply. They are wrong. In several CPUC decisions culminating in the 2006 Uniform Regulatory Framework (URF) decision, the Commission has chosen to forbear from regulating most ILEC rates. I am not aware of anything in these rulings where the CPUC has actually disowned its "ratemaking authority" with respect to the types of services that Frontier's ILECs furnish in California, and the Assigned Commissioner has now confirm that the Commission does indeed have such ratemaking authority with respect to the Joint Applicants here.~~

~~38. As I mentioned earlier, counsel has made me aware of a recent US Supreme Court ruling in which it let stand a decision of the Second Circuit Court of Appeals, the New York Public Service Commission was found to have the authority to require all broadband providers in New York State to charge no more than $15 per month for broadband services furnished to qualifying low-income consumers.[53] Counsel has advised that this decision, which appears to actually expand the Commission's ratemaking authority to now include Title 1 broadband Internet access, would presumably apply to any state regulatory commission, including the CPUC. Whether or not the Commission chooses to exercise this or any other ratemaking authority, it nonetheless has such authority, which is the threshold requirement for § 854(b)(2). If, as Cal Advocates believes, § 854(b)(2) applies in the present case, the Commission would need to find that ratepayers will receive not less than 50% of the short-term and long-term economic benefits of the Transaction.~~

~~53. *See* fn. 39, 40, *supra*.~~

~~39. In its decision approving the 2016 sale of Verizon's California ILECs and other entities to Frontier – which was issued nearly a decade after the 2006 URF decision where forbearance from ratesetting was adopted[54] – the Commission made clear that § 854(b)(2) was applicable and that, while it was not requiring any explicit sharing, it fully expected the purported economic benefits to flow to California ratepayers:~~

> ~~With regard to the three-pronged requirement of § 854(b), assuming that Frontier keeps its many commitments to improve customer service and extend broadband to previously underserved communities, the Transaction promises both long-term and short-term benefits to ratepayers, as required by § 854(b)(1).~~ ~~*We rely on various conditions and requirements set forth herein, including the various settlements and MOUs and the Joint Application, to ensure proper allocations of long-term and short-term benefits to ratepayers as required by § 854(b)(2).*~~[55]

~~Determining the § 854(b)(2) ratepayer allocation of short-term and long-term economic benefits~~

~~40. In order to determine what the § 854(b)(2) ratepayer allocation of the short-term and long-term economic benefits of the acquisition 0//////would be, it is necessary to first determine the portion of the total economic benefits that Verizon has projected to result from the acquisition that are associated with the three California ILECs. As noted above, Verizon has advised its shareholders and investors that it anticipates earnings accretion resulting from the Frontier acquisition to amount to some $500-million per year. Frontier has not provided the~~

~~54. D.06-08-030, 2006 Cal. PUC Lexis 367, at *2 (Aug. 24, 2006) (URF Phase 1).~~

~~55. *I/M/O Joint Application of Frontier Communications Corporation, Frontier Communications of America, Inc. (U5429C), Verizon California, Inc. (U1002C), Verizon Long Distance LLC (U5732C), and Newco West Holdings LLC for Approval of Transfer of Control Over Verizon California, Inc. and Related Approval of Transfer of Assets and Certifications*, A.15-03-005, D.15-12-005, December 3, 2015, at 48-49, emphasis supplied.~~

~~California-specific portion of that $500-million. In order to develop an estimate of the California share of the projected earnings accretion, I have calculated two alternative estimates based on financial data for the three Frontier ILECs as contained in Confidential Exhibit D to the Joint Application and the Frontier Communications Parent Form 10-Q for June 2024 as filed with the SEC.~~[56] ~~In order to estimate the California portion of the total $500-million in annual earnings accretion that Verizon has forecast, I calculated two ratios: (1) 6-months total revenue for the period ending June 2024 for the three California ILECs vs. the corresponding 6-months total revenue for the same period for Frontier Parent, and (2) Total Assets for the three California ILECs as of June 30, 2024 vs. Total Assets for Frontier Parent as of the same date. The details of this calculation are provided in Table 1 below:~~

~~56. In Cal Advocates Data Request 1.4, Frontier was asked to "Provide the corresponding information to that contained in Exhibit D to the Joint Application in aggregate for all of Frontier Parent's ILEC operations that are proposed to be acquired by Verizon for each of the years 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023." In response, Frontier provided 10-K reports for 2016 through 2023. However, the types of financial data as reported in the 10-Ks differ from what is included in Confidential Exhibit D.~~

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Table 1

ESTIMATED MINIMUM ANNUAL RATEPAYER ALLOCATION OF SHORT-TERM AND LONG-TERM ECONOMIC BENEFITS AS REQUIRED BY § 854(b)(2)

		Revenues (1)	Assets	Source
1	Totals, three California ILECs	$	$	Confidential Exhibit D, pp 2-4
2	Totals, Frontier Parent	$2.94-billion	$20.19-billion	Frontier Parent 10-Q 6/30/24
3	California ILECs percent of total Frontier Parent	%	%	L1 / L2
4	Total estimated annual earnings accretion from Frontier acquisition	$500-million	$500-million	Verizon Form 8-K, 9/5/24
5	California ILECs' share of total estimated earnings accretion	$	$	L3 x L4
6	Minimum annual ratepayer share of California economic benefits per §854(b)(2)	$	$	L5 x 50%

Note 1: Revenues shown on Confidential Exhibit D are for the six months ended June 30, 2024. *See*, Joint Motion of Verizon and Frontier et al for Leave to File Confidential Exhibit D to Application under Seal, October 18, 2024, at 1. Frontier Parent revenues for the six months ended June 30, 2024 are taken from Frontier Parent Form 10-Q for the period ending June 30, 2024.

~~**<<END JOINT APPLICANTS CONFIDENTIAL>>**~~

~~41. Using Total Revenues as an index, the three California ILECs represent roughly~~ ~~**<<BEGIN JOINT APPLICANTS CONFIDENTIAL>>**~~ ~~%~~ ~~**<<END JOINT APPLICANTS CONFIDENTIAL>>** of the total Frontier Parent company, suggesting that somewhere in the range of~~ ~~**<<BEGIN JOINT APPLICANTS CONFIDENTIAL>>**~~ ~~$~~ ~~**<<END JOINT APPLICANTS CONFIDENTIAL>>** of the total annual $500-million being projected by Verizon in annual earnings accretion is associated with the three~~

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~~California ILECs. §854(b)(2), which requires that "[r]atepayers shall receive not less than 50 percent of those benefits," would thus require that California ratepayers receive, annually, at least **<<BEGIN JOINT APPLICANTS CONFIDENTIAL>>** $~~ [redacted] ~~**<<END JOINT APPLICANTS CONFIDENTIAL>>**.~~

~~42. Using Total Assets as an index, the three California ILECs represent roughly **<<BEGIN JOINT APPLICANTS CONFIDENTIAL>>**~~ [redacted] ~~% **<<END JOINT APPLICANTS CONFIDENTIAL>>** of the total Frontier Parent company, suggesting that somewhere in the range of **<<BEGIN JOINT APPLICANTS CONFIDENTIAL>>** $~~ [redacted] ~~**<<END JOINT APPLICANTS CONFIDENTIAL>>** of the total annual $500-million being projected by Verizon in annual earnings accretion is associated with the three California ILECs. The §854(b)(2) allocation would then be not less than **<<BEGIN JOINT APPLICANTS CONFIDENTIAL>>** $~~ [redacted] ~~**<<END JOINT APPLICANTS CONFIDENTIAL>>**.~~

~~43. From prior CPUC orders relating to the § 854(b)(2) ratepayer allocation, this could be made in the form of a direct surcredit on customers' bills, or as some other identifiable benefit, such as additional fiber buildouts to presently unserved areas. In any event, in making its determination as to whether the requirements of § 854(b)(2) have been met, the Commission will need to determine, quantitatively, that ratepayer benefits, in whatever form, are not less than in the range of **<<BEGIN JOINT APPLICANTS CONFIDENTIAL>>** $~~ [redacted] ~~to $~~ [redacted] ~~**<<END JOINT APPLICANTS CONFIDENTIAL>>**~~

~~44. The Commission may, as it has done in the past, rely upon competitive marketplace forces to assure that these requirement is satisfied. However, where Verizon will be the sole provider of certain services in certain areas – or even one of only two providers – competitive marketplace forces are not likely to accomplish the required allocation, thus requiring a more direct approach to ensure that the requirements of §854(b)(2) are met.~~

~~45. While the Frontier California ILEC footprint does include some urban and suburban areas in southern California where multiple providers, including Frontier, are offering high-speed broadband access, much of the three ILECs' service area consists of sparsely populated communities where broadband availability is often highly limited.[57] Moreover, for many of these areas, the only wireline carrier is Frontier and, if Frontier is not itself providing high-speed broadband access, there is no other provider from whom this service could be purchased. In the 1996 Pacific Telesis/SBC merger, and moreso following the URF decision in 2006, the Commission has relied on price-constraining competition to assure that the merging parties are compelled to flow these economic benefits through to their customers. However, where price-constraining competition is not present, such reliance may be misplaced and the requirements of § 854(b)(2) would not be satisfied.~~ Of course, as I have shown, the Joint Applicants have failed to demonstrate that any substantive short-term or long-term economic benefits to California ratepayers will in fact result from this transaction, and that, as such, § 854(b)(1) will not be satisfied. ~~However, if the Commission nonetheless finds that some economic benefits will result and that the Transaction can go forward, it will need to adopt conditions to assure that the requirements of § 854(b)(2) are met.~~

57. See discussion in Section 3, *infra*.

2. The proposed transaction in the context of prior actions by these same Applicants and their predecessors

Verizon has been in and out of the wireline business in California, making business moves and subsidiary integration strategies that consistently favor or indicate favoring its wireless business, which suggests that its claim of increased fiber deployment is likely overstated.

46. Verizon traces its history to the 1984 break-up of the former Bell System, which created, among other things, seven so-called Regional Bell Operating Companies ("RBOCs"). Two of these were NYNEX, which served five New England states and New York, as well as a small portion of Connecticut, and Bell Atlantic, whose operating areas included six mid-Atlantic states and the District of Columbia. On April 22,, 1996, Bell Atlantic and NYNEX announced their intention to merge and, following state regulatory and FCC approval, the latter occurring on August 14, 1997,[58] the merger immediately took effect, with the expanded company operating under the Bell Atlantic name. The following year, the now-enlarged Bell Atlantic and GTE agreed to merge into Bell Atlantic, which then renamed itself as Verizon Communications, Inc. when the merger became effective on June 30, 2000.[59] The acquisition of GTE brought additional ILEC operations in 28 states[60] into the Verizon ILEC portfolio, including GTE's California ILECs, GTE California and GTE Southwest. Also included in the merger was GTE's wireless operation, GTE Mobilnet, which was merged and fully integrated into Verizon's wireless business, Verizon Wireless. Notably, and unlike the case with the GTE wireless assets,

58. https://transition.fcc.gov/Bureaus/Common_Carrier/News_Releases/1997/nrcc7059.html

59. "FCC Approves Bell Atlantic-GTE Merger, Creating No. 1 Phone Company," *New York Times*, June 17, 2000 https://www.nytimes.com/2000/06/17/business/fcc-approves-bell-atlantic-gte-merger-creating-no-1-phone-company.html (accessed 4/24/25)

60. FCC BA/GTE Order, at para. 6.

the former GTE ILECs were never organizationally and operationally integrated into the operations of the preexisting Bell Atlantic ILECs, *even in those states that were being served by both a former Bell Atlantic BOC and a former GTE ILEC*. Moreover, Verizon never transitioned its former GTE ILECs from their legacy GTE Operations Support Systems, customer records management and billing systems, and other information technology platforms over to the Verizon (former Bell Atlantic) counterparts. It's as if Verizon had never planned on retaining those former GTE ILECs for very long.

47. And in fact those former-GTE ILECs did not remain part of Verizon for very long. Beginning in 2007, Verizon began shedding many of its wireline operations generally, and its former-GTE territories in particular. Verizon divested former NYNEX ILEC operations in Maine, New Hampshire and Vermont to FairPoint Communications. In 2010, Verizon divested former GTE operations in Arizona, Idaho, Illinois, Indiana, Michigan, Nevada, North Carolina, Ohio, Oregon, South Carolina, Washington, West Virginia and Wisconsin, and in portions of California bordering Arizona, Nevada and Oregon (GTE Southwest) to Frontier.[61] That same year, Verizon divested the former Bell Atlantic ILEC operations in West Virginia to Frontier Verizon completed offloading the last of its former GTE ILECs in 2016, when its wireline operations in California, Texas and Florida were sold to Frontier.[62]

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61. https://www.verizon.com/about/sites/default/files/Major-Events-Overview.pdf (accessed 3/18/25); see also, https://investor.frontier.com/news/news-details/2009/Frontier-Communications-to-Acquire-Verizon-Assets-Creating-Nations-Largest-Pure-Rural-Communications-Services-Provider/default.aspx (accessed 3/18/25)

62. https://www.prnewswire.com/news-releases/verizon-completes-sale-of-landline-assets-in-california-florida-and-texas-to-frontier-communications-300244748.html (accessed 4/24/25)

48. Verizon had, for a number of years, been systematically disengaging from the wireline business and has been disinvesting in wireline, choosing instead to direct its management focus and capital resources to mobile wireless and related content services. In 2004, Verizon announced an ambitious plan to construct a network of Fiber-to-the-Premises (FTTP) last-mile service delivery facilities that would support its new very high speed fiber optic broadband service, branded as *FiOS*. Some of the former GTE ILECs, including Verizon California, were included in the FTTP build-out. But after six years and $23-billion in this project, Verizon in 2010 announced that further expansion of *FiOS* had come to an end.[63] Over that same period, Verizon had been deliberately shifting the costs of certain corporate service activities toward its ILEC operations and away from its other lines of business, burdening the ILECs with costs that were being incurred for the benefit of Verizon's non-ILEC operations. In fact, it was the potential to eliminate these excessive overhead cost allocations to Verizon's former GTE ILEC operations in California, Texas and Florida that led to Frontier's estimate that by separating these three ILECs from Verizon, they would realize some $525-million in annual cost savings by eliminating what had been Verizon overhead allocations for so-called "centralized services."[64] In fact, the elimination of these overhead allocations represented the majority of Frontier's anticipated annual cost savings of $700-million,[65] which Frontier had attributed to the avoidance

63. See Robert Cheng, "Verizon to End Rollout of FiOS," *Wall Street Journal*, March 30, 2010, https://www.wsj.com/articles/SB10001424052702303410404575151773432729614 (accessed 4/24/25)

64. *Joint Application for Approval of Transfer of Control Over Verizon California Inc. and Related Approval of Transfer Of Assets and Certifications*, A.15-03-005 ("2015 Applications") {Cal Advocates Exhibit A-15], at 16, see also, Direct Testimony of John M. Jureller, Executive Vice President and Chief Financial Officer, Frontier Communications Corp. ("Jureller") [Cal Advocates Exhibit A-17], at 11-12.

65. *Id.*

of "Verizon-allocated centralized corporate costs that will not transfer with this Transaction."[66] Notably, Verizon did not dispute Frontier's cost avoidance projection, effectively conceding that these excessive overhead cost allocations had indeed been taking place.

49. As Verizon's "Region President for various operating company subsidiaries of Verizon Communications Inc." Timothy McCallion succinctly put it in his 2015 testimony, "For Verizon, the California, Florida and Texas wireline assets involved in the Transaction serve territories in geographically dispersed states, in contrast to Verizon's other wireline operations. *Verizon has made a strategic decision to sell its three geographically distant properties and focus on its contiguous wireline footprint in the Mid-Atlantic and Northeast.*"[67] Of course, in its current effort to reacquire Frontier, it would seem that Verizon has now made a 180° U-turn from that 2015 "strategic decision," since Verizon will once again be acquiring and serving the very same "territories in geographically dispersed states" that it had spent years offloading following the creation of Verizon in 2000. All of this, of course, begs the question as to just how long Verizon will actually retain ownership of those portions of Frontier that it may some day deem to no longer fall within its principal strategic interests.

66. *Id.*, at 11.

67. A. 15-03-005, Testimony of Timothy McCallion, Region President for various operating company subsidiaries of Verizon Communications Inc., May 11, 2015 [Cal Advocates Exhibit A-18], at 1-2, emphasis supplied.

Unlike Verizon, which grew mainly through a series of large mergers, Frontier grew to its current size through a series of small acquisitions of individual ILECs made over a number of years.

50. Unlike Verizon, whose current operation is the result of the amalgam of three large ILEC holding companies – NYNEX, Bell Atlantic and GTE – followed by its merger with MCI and several other wireless acquisitions, and various ILEC divestitures, Frontier grew to its current size through a series of mostly small acquisitions, made over a number of years, of individual ILECs, most of which were former GTE ILECs that were being divested from Verizon and other former Regional Bell Companies. Some of the Frontier ILECs, one of which is Citizens Telecommunications Company of California Inc., had been acquired first by GTE, then merged into Verizon, then sold to Frontier, and are now proposed to be sold back to Verizon. Frontier had its genesis as Rochester Telephone Corporation ("RTC"), an ILEC whose service area consisted of the Rochester, New York metropolitan area. RTC was at the time the largest Independent telephone company not affiliated with any other ILEC system or holding company.

51. In 1993, RTC acquired half a million access lines from GTE. The company changed its name to Frontier in 1994. Frontier was acquired by Global Crossing in 1999, which then sold it to Citizens Communications in 2001.

52. Frontier began acquiring ILEC properties from GTE (prior its merger with Bell Atlantic) and others, as summarized in its 2015 Application: "In 1993, Frontier acquired approximately

500,000 access lines from GTE Corporation, which was formerly General Telephone & Electronics Corporation ("GTE"). In December 1993, the company acquired 190,000 lines in Utah, Idaho, Tennessee and West Virginia, followed in 1994, by the addition of 270,000 lines in New York and 38,000 access lines in Arizona and Montana. In 1995, Frontier announced the acquisition of 5,000 access lines in California, and completed a transaction for 117,000 access lines as well as cable franchises in eight states. In 1996, the company acquired 3,600 access lines in Pennsylvania and 20,000 access lines in California. In 1999, the company had a series of acquisitions from GTE. First, Frontier acquired 195,000 access lines in Arizona, California and Minnesota; then, 59,000 access lines in Nebraska; followed by a third transaction to acquire 107,000 access lines in Illinois."[68] Frontier also acquired one of the four former Bell BOCs that Verizon had divested – West Virginia.

53. Nearly all of Frontier's investments prior to 2015 had been in wireline operations, which included the acquisition of a number of former-GTE territories both before and following GTE's absorption into Verizon. Until its 2016 acquisition of the last three former GTE ILEC holdings – in California, Texas and Florida – Frontier continued to invest heavily in acquiring wireline operations both within and outside of former GTE territories. In 2007, the company acquired nearly half a million access lines in Pennsylvania from Commonwealth Telephone Enterprises, Inc.[69] In that same year, Frontier acquired small ILEC properties in California from Global Valley Networks, Inc. In 2010, Frontier acquired roughly half of the former GTE ILEC

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68. 2015 Application, fn. 55, *supra*, at 33, fn. 55,

69. "PUC OKs Settlement Agreement for Citizens Communications Co. Purchase of Commonwealth Telephone Co." //www.puc.pa.gov/press-release/2007/puc-oks-settlement-agreement-for-citizens-communications-co-purchase-of-commonwealth-telephone-co

properties from Verizon, along with the former Bell Atlantic ILEC in West Virginia.[70] That acquisition more than doubled Frontier's size. In approving the 2010 transaction (which involved the California portion of Verizon West Coast), the CPUC found that "Frontier and its operating companies have a long history in serving rural areas in California and elsewhere;" and that the transaction "will accelerate Frontier's growth, creating a much larger company with increased financial strength and flexibility."[71] In 2014, Frontier acquired nearly one million access lines from AT&T in Connecticut in a $2-billion all-cash transaction.[72] Prior to the 2016 California-Texas-Florida acquisition, Frontier had already become the nation's fourth largest ILEC, with roughly 3.5-million residential and business customers across 28 states. The 2016 acquisition of the last three former-GTE areas roughly doubled the size of Frontier.[73]

54. Table 2 below compares the total company wireline connections (switched access and broadband) in service of Verizon and Frontier from 2000 to 2024. Figures 1a and 1b below provides this same data graphically. Figure 1a shows that as Verizon's presence in the wireline segment has declined, Frontier's has grown.

70. 2015 Application, fn. 55, *supra*, at 33, fn. 56.

71. *Joint Application of Frontier Communications Corporation et al. and Verizon West Coast Inc. et al for Approval of the Sale of Assets, Transfer of Certificates and Customer Bases, and Issuance of Additional Certificates*, A.09-06-005, D.09-10-056, Nov. 4, 2009, *slip op.*, at 15.

72. https://investor.frontier.com/news/news-details/2014/Frontier-Communications-Completes-Acquisition-of-ATT-Connecticuts-Wireline-Broadband-and-Video-Operations-10-24-2014/default.aspx (accessed 1/22/25).

73. "Frontier Communications to Acquire Verizon's Wireline Operations in California, Florida and Texas, Doubling Frontier's Size and Driving Shareholder Value," Press Release, February 5, 2015 https://investor.frontier.com/news/news-details/2015/Frontier-Communications-to-Acquire-Verizons-Wireline-Operations-in-California-Florida-and-Texas-Doubling-Frontiers-Size-and-Driving-Shareholder-Value-02-05-2015/default.aspx [accessed 4/24/25].

Table 2

**FRONTIER AND VERIZON
TOTAL WIRELINE ACCESS LINES IN SERVICE
(Nationwide – 2000-2024)**

Year	Frontier	Verizon
2000	996,800	59,127,334
2001	2,481,400	57,836,507
2002	2,444,400	55,703,435
2003	2,386,700	54,369,588
2004	2,321,000	55,390,000
2005	2,219,000	52,794 ,115
2006	2,126,574	50,903 ,668
2007	2,429,142	48,520 ,195
2008	2,254,333	39,046 ,000
2009	2,117,512	41,781 ,000
2010	5,745,718	34,393 ,000
2011	5,266,916	32,807 ,000
2012	2,887,063	31,298 ,000
2013	2,803,481	30,100 ,000
2014	3,510,000	29,000 ,000
2015	3,413,000	27,505 ,000
2016	5,393,000	20,977 ,000
2017	4,850.000	19,780 ,000
2018	4,471,000	18,293 ,000
2019	4,118,000	12,221 ,000
2020	3,571,000	6,647 ,000
2021	3,394,000	6,888 ,000
2022	3,354,000	7,900 ,000
2023	3,372,000	7,900 ,000
2024	3,390,000	7,300 ,000

Source: Frontier Form 10-K reports. Beginning in 2012, Frontier changed its reporting from Access Lines to Customers, and now also includes broadband customers. Verizon ARMIS reports 2000-2007; 10-K 2008-2024. Verizon data includes both switched access and broadband connections. Verizon stopped reporting total switched access connections after 2019, so total connections for 2020-2024 are understated because switched access lines are excluded.

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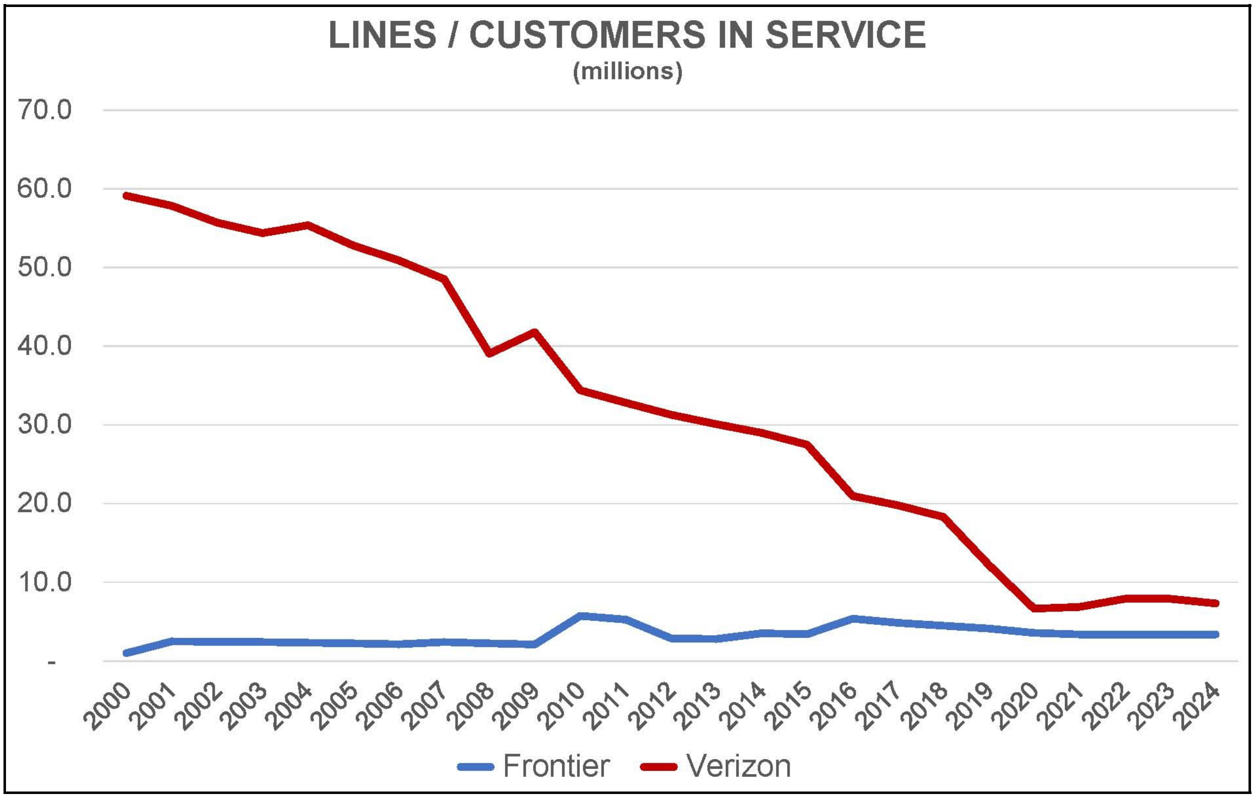

Figure 1a. Frontier and Verizon total wireline connections in service – switched access lines and broadband.

Figure 1b is based upon the same data for Frontier, but is plotted using a larger scale, enabling its pattern of growth and decline to be more visible. Frontier's customer base saw a large spike immediately following the 2016 California-Texas-Florida acquisition, but declined rapidly until about 2020. It has remained at roughly that same level since then.

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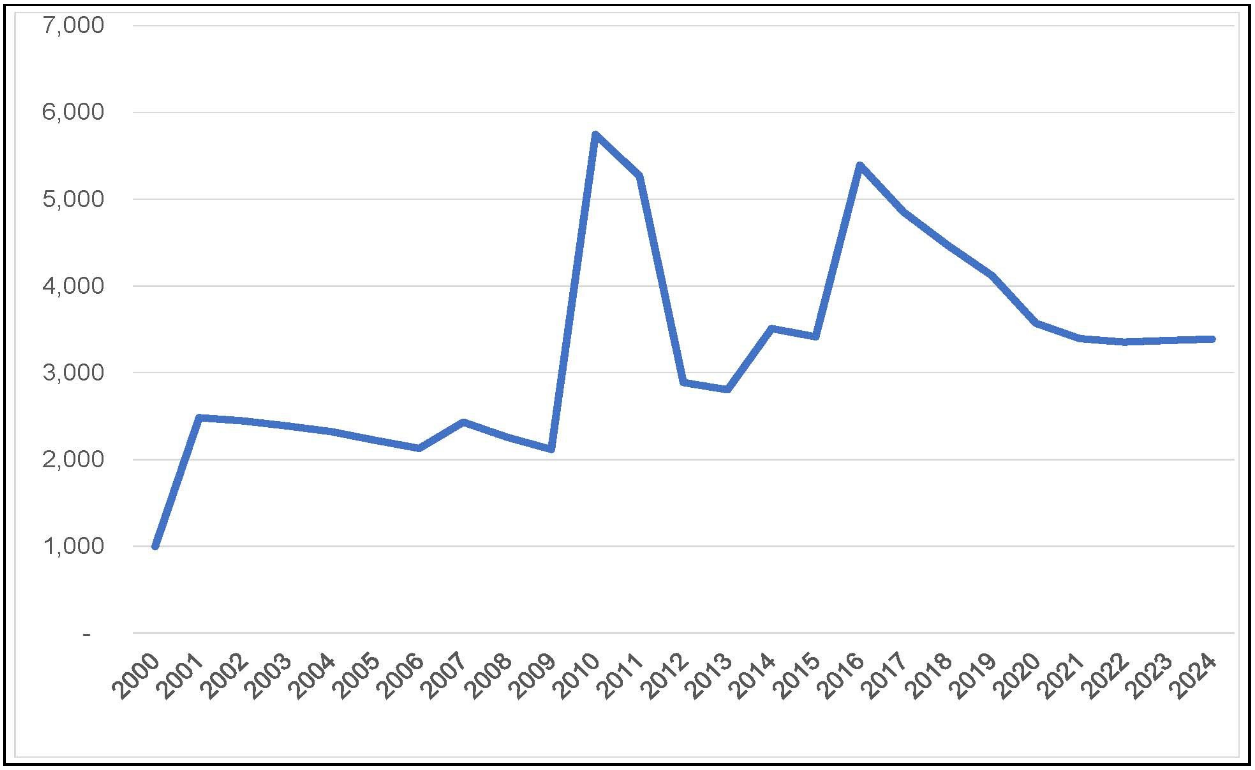

Figure 1b. Frontier switched access lines / customers in service 2000-2024 (quantities in thousands).

55. Prior to the 2016 acquisition, Frontier had only a minimal presence (approximately 1.07%) in California, serving census blocks containing only 135,551 of the total 12.65-million access lines then in service statewide. Following the 2016 transaction, however, Frontier became the second largest ILEC in the state, serving some 20.78% of the total California wireline market.[74]

74. Pre-transaction Verizon California served census blocks containing 2,628,438 households, which is 20.78% of the total 12.65-million California households as estimated by the US Census Bureau for 2013. (accessed 7/22/15) http://www.dof.ca.gov/research/demographic/state_census_data_center/american_community_survey/

This is the third time this Commission has been asked to consider and approve a major change of control involving these same two companies or their predecessors.

56. To summarize, the present Application represents the third time the Commission is being asked to approve a change of control involving what is now Frontier California and the several other assets of Frontier in California:

2000	GTE merges with Bell Atlantic; GTE California becomes Verizon California, D.00-93-021 (March 2, 2000). The merger took effect on June 30, 2000, following issuance of the FCC order approving it.
2015	Verizon sells Verizon California and other California assets to Frontier, D.15-12-005 (April 1, 2016)
2024	Verizon wants to reacquire all of Frontier, including Frontier California and its other California assets

57. It is instructive, in evaluating the various public interest claims being offered by the Joint Applicants in support of the transaction being proposed here, to examine the history of the prior transactions involving these same entities and their respective claims and assurances as to the California ratepayer and other public interest benefits of what was in each case being proposed. As I shall show, many of these assurances and claims of public and ratepayer benefit have fallen far short of the proffered expectations.

The CPUC has received – and has relied upon – numerous assurances by these same two Joint Applicants that each of these proposed transactions was in the public interest.

58. As I have noted, PU Code § 854(b) requires that the Commission, prior to approving the merger, find that the proposed transaction "[p]rovides short-term and long-term economic

benefits to ratepayers" (§ 854(b)(1)) ~~and that it "[e]quitably allocates, where the Commission has ratemaking authority, the total short-term and long-term forecasted economic benefits ... of the proposed merger, acquisition or control, between shareholders and ratepayers. Ratepayers shall receive not less than 50 percent of those benefits" (§854(b)(2))~~. The Joint Applicants here have described, at a very high and general level, those "economic benefits" that they claim will be realized by their ratepayers. However, the Joint Applicants have failed to quantify their proffered "short-term and long-term economic benefits" ~~and certainly have offered no quantitative evidence whatsoever that "not less than 50%" of these benefits will, in some manner, flow to California ratepayers, a showing that is expressly and explicitly required pursuant to § 854(b)(2)~~. Moreover, upon closer examination and from the ratepayers' perspective, most if not all of the "benefits" being ascribed to the proposed acquisition, to the extent that these are even "benefits" at all, could readily be achieved without the merger. And of course, this is not the first time that these same Joint Applicants have proposed a change-of-control with respect to these same California ILECs and have, in each such instance, advanced similar assurances as to their outcomes with respect to economic benefits to ratepayers. In evaluating the current set of assurances and in view of this history, the Commission should consider the current proposal and assurances as to ratepayer benefits with considerable skepticism.

59. In each of these previous change-of-control proceedings as in the one currently before the Commission, the Joint Applicants therein needed to demonstrate that what was being proposed was in each case consistent with the public interest and ratepayer economic benefit requirements of PU Code §854. These were their stories:

The 1998 Bell Atlantic/GTE Merger

60. In the 1998 Bell Atlantic/GTE acquisition, the Joint Applicants therein advanced numerous examples of economic benefits they claimed would arise from the increased scale of the joint operation together with the adoption by the former GTE ILECs of Bell Atlantic "best practices," all of which would result in permanent efficiency gains inuring to California ratepayers. But not long after the merger became effective in June 2000, Verizon began selling off its ILECs and never got around to converting these ILECs' legacy GTE systems and IT, or integrated these with the Bell Atlantic operating areas. So much for scale and best practices.

61. For example, in their Supporting Report submitted to the CPUC in that case, Paul R. Shuell, GTE Vice President and Controller, and Stephen L. Shore, GTE Assistance Controller – Wireline Operations, testified that:

> I was first told of the merger discussions approximately nine days before the merger was publicly announced. Initially, several days before the merger was publicly announced, I met with a select group of Bell Atlantic employees to conduct financial due diligence. As part of that process, we discussed the opportunities to realize synergies through the merger. We immediately recognized that the companies would need to present merger synergy projections in connection with their announcement of the transaction, and that the credibility of the merger synergy projections would have an important influence on investors' evaluation of the merger. ...
>
> ... Six individuals, three from GTE and three from Bell Atlantic, were assigned to this task. This group consisted of senior executives with expertise in a variety of functional areas and with experience in consolidations and merger savings estimation. ... The group completed its work on August 21, 1998, and presented a copy of that report to the Chief Executives on that date followed by a formal presentation by the group on September 9, 1998. ...

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> The August 21 Analysis identified three general types of cost savings opportunities: (1) elimination of redundant functions, (2) increased economies of scale, and (3) adoption of the most efficient business practices or processes followed by each company, referred to as "best practices." Cost savings from redundant functions will be realized as staff or systems performing the same function separately for each company are consolidated and inefficient duplication is eliminated. Also, future costs are avoided where one company can utilize the assets or systems of the other rather than develop its own. Scale economies will produce lower per-unit fixed costs and greater volume discounts for procurement. Finally, where one of the companies has superior existing practices for a particular function, the other company would implement such practices thereby reducing the costs of the merged entity.[75]

As I noted in my testimony for the CPUC Office of Ratepayer Advocates ("ORA") in that proceeding:

> In fact, the total economic benefits resulting from the merger, which include increased revenues, expense savings, and capital savings, are estimated by GTE and Bell Atlantic to reach $4.5-billion *on an annual basis* [fn.36] beginning with the third year following the merger, and to persist for at least 15 years, if not in perpetuity. [fn.37] Indeed, there appears to be a serious inconsistency between the information that the Applicants have provided to this Commission both in the Application itself and in the workpapers that have been proffered in support of these calculations, on the one hand, and the forecasts of aggregate economic benefits of the merger that have been used by the Applicants to negotiate their deal and to inform shareholders and securities analysts as to the projected economic gains expected from the marriage. According to information that has been provided to Wall Street [fn. 38] and to shareholders, [fn.39[the merger-driven synergies will ramp up to $4.5-billion annually over the initial three years under merged operations, and will *remain* at the $4.5-billion annual level indefinitely thereafter [fn.40]. ~~That notwithstanding, the Applicants have limited the NPV calculation made for Section 854(b)(2) purposes to only the initial four years [fn. 41].~~

75. A.98-12-005, Bell Atlantic/GTE Supporting Report [Cal Advocates Exhibit A-13], Chapter VI: "Analysis of Merger·related Cost Savings Attributable to Gte California's Category I and Category Ii Services," Testimony of Paul R. Shuell, Stephen L. Shore, Chapter VI, at 3-6.

For obvious reasons, the Applicants have a considerable interest in portraying the merger to the Wall Street community in a very positive light. For similarly obvious reasons, the Applicants have a strong incentive to present the Commission with a projection of economic benefits that is sufficient to satisfy the threshold requirement of § 854(b)(1) ~~but not so great as to create a substantial sharing obligation under § 854(b)(2)~~. That being said, the stark inconsistency between the Wall Street and California versions of the projected merger benefits must not be lightly dismissed.

In the California Application, the merger synergies are calculated through Year 4 in accordance with the Applicants' definition of the "long-term." ~~No specific explanation or forecast is offered as to precisely how — or even if — the *subsequent* economic benefits will be flowed to ratepayers; indeed, it is not even clear that the Applicants recognize any legal obligation on their part to flow such benefits in any form through to ratepayers beyond the fourth year of merged operations [fn.42].~~

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36. $500-million of this figure consists of capital cost synergies that must be converted to annualized amounts.

37. Using information provided in the Joint Proxy Statement [Document LLS-1], ETI extended the Applicants' synergies projections to the point at which the NPV at a discount rate of 10.5% totaled $21-billion, the middle of the range quoted by Salomon Smith Barney (Joint Proxy at I-44). When the benefits are extended for 15 years, the total project-level NPV equals $22.5-billion using the Applicants' mid-year convention or $21.4-billion using the Applicants' end-of-year convention. In ORA's Data Request No. 147, the Applicants were asked to provide the time horizon associated with the $21 billion figure; the Applicants' response dated April 29, 1999, failed to provide a time horizon other than to indicate that the growth rate was applied in perpetuity. [Document LLS-5]

38. Comments of GTE CEO Charles Lee at the announcement of the merger before the investment community at the Waldorf-Astoria hotel in New York City. GTE response to ORA Nos. 26 and 32, at Bates page GTECA000127. [Document LLS-6]

39. Joint Proxy Statement, at I-25 and I-44. [Document LLS-1]

40. GTE Vice President and Controller Paul Shuell states that "[b]ecause all the available cost savings could be achieved within three years, the August 21

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> Analysis estimated savings only through the third year. It is reasonable to expect, however, that this full savings level would continue during the fourth year following the merger." Application, Supporting Report, Chapter 6, at 10. It would also appear, therefore, that these savings would continue beyond the fourth year, as well.
>
> 41. The Applicants assume that approximately 1/3 and 2/3 of the synergies will be realized in Years 1 and 2, respectively. See Footnote 26, supra.
>
> 42. I/M/O Joint Application of GTE Corporation ("GTE") and Bell Atlantic Corporation ("Bell Atlantic") to Transfer Control of GTE's California Utility Subsidiaries to Bell Atlantic, Which Will Occur Indirectly as a Result of GTE's Merger with Bell Atlantic.[76]

~~In the Bell Atlantic/GTE case, the CPUC expressly found that such economic benefits would result from the merger, and applied the PU Code §854(b)(2) requirement that these be shared with ratepayers.[77] The CPUC recognized the inconsistency between the Joint Applicants' CPUC and Wall Street versions of projected cost savings, and did not go along with the Joint Applicants' four-year definition of "long run" as they had proposed in that case:~~

> ~~We also consider the information upon which applicants relied and reported to shareholders. Applicants' financial experts estimated the benefits of the merger over a period of 15 years. GTE argues that this was essentially an extrapolation from the results in year 3, based on assuming nominal perpetual synergy growth rates ranging from 1% to 3% per year. GTE contends reliance on this forecast misconstrues the importance of this simple arithmetic exercise.~~
>
> ~~To the contrary, if applicants' managements and boards of directors believed the analysis was untrue or unreasonable, they had a responsibility to decline its inclusion in the Joint Proxy Statement to Shareholders. The analysis was~~

~~76. A.98-12-005, Direct Testimony of Lee L. Selwyn on behalf of the Office of Ratepayer Advocates, June 7, 1999 [Cal Advocates Exhibit A-14], at 16-18, emphasis in original, footnotes in original.~~

~~77. *I/M/O Joint Application of GTE Corporation ("GTE") and Bell Atlantic Corporation ("Bell Atlantic") to Transfer Control of GTE's California Utility Subsidiaries to Bell Atlantic, Which Will Occur Indirectly as a Result of GTE's Merger with Bell Atlantic*, A.98-12-005, D.00-03-021, March 2, 2000, at 2.~~

> ~~included, however, and was based on many more than four years. Management expected shareholders to rely on this information in making their decision. We must take this into account in making our decision.~~[78]

~~The CPUC rejected the Joint Applicants' 4-year benefits analysis, and adopted in its place an initial five years of explicit ratepayer sharing that was based upon the net present value (NPV) of the projected economic benefits net of projected merger implementation costs over the initial five years only, and was provided in the form of a one-time "surcredit" to customers' bills.~~[79] ~~In the end, the Commission concluded that the projected economic benefits would continue indefinitely, but for purposes of the § 854(b)(2) ratepayer benefit sharing requirement, the time frame should be five years. This truncation of specific ratepayer sharing was premised on the notion that, by the end of five years, price-constraining competition will have developed to the point where competitive marketplace forces could be relied upon to assure that the economic benefits of the merger would indeed be flowed through to ratepayers. Thus, while the Commission clearly anticipated that the purported benefits of the merger would persist for fifteen years or more, it limited the explicit § 854(b)(2) "sharing" requirement to five years, on the expectation that by then price-constraining competition would have developed to the point where the continued flow of cost savings and other economic benefits to ratepayers would still be assured.~~

78. *Id.*, at 50-51.

79. *Id.* "We find that the proposed merger provides economic benefits of $168.1 million (net present value) over five years. We allocate 50%, or $84.1 million (net present value) to ratepayers. The ratepayer share will be distributed in the form of $64.3 million (net present value) in surcredits, and $19.8 million (net present value) to fund provisions of the Community Collaborative Agreement."

62. Of course, whether post-merger Verizon actually achieved the 15 years worth of projected economic benefits cannot be determined for certain. But much of these benefits were being ascribed to the greater size of the combined firms and to the resulting economies of scale that would be achieved as a result of the larger size of the Company, along with the adopted of "best practices" across both firms and the elimination of duplicate systems and operations. Verizon began off-loading its GTE ILEC acquisitions long before the end of that 15 year period, and it also appears that well before then the post-merger Verizon had failed to apply many of its "best practices" to the former GTE ILECs.[80] For example, rather than migrate the former GTE ILECs to Verizon's back-office Operations Support Systems (OSS), customer records management and billing systems and other IT platforms to those in use by the Bell Atlantic and NYNEX ILECs (the "BOCs"), the legacy GTE systems continued to be used and remained in use at least up until the date that those companies were acquired by Frontier.[81]

63. So the "increased scale" of Verizon's ILEC operations didn't last very long. Verizon began selling off its wireline ILECs, including its former GTE service areas in 2007 and in 2010. It even divested ILECs in four states that had been part of Verizon's Bell Atlantic and NYNEX predecessor Bell companies – and part of the Bell System prior to the 1984 break-up of AT&T – for more than a century. Before the GTE merger, Bell Atlantic was the dominant ILEC in

80. According to GTE's Paul Shuell, "The August 21 Analysis identified seven areas of cost savings opportunities for the companies' telephone operations. In the aggregate, and before offsets for merger transaction and merger implementation costs, the August 21 Analysis concluded that the companies could achieve $900 million in expense savings, and an additional $350 million in capital synergies in their telephone operations in the third year after the merger." AB/GTE Application, Supporting Report [Cal Advocates Exhibit A-13], Chapter 6, at 10.

81. FCC WT Docket 15-44, Letter to Marlene H. Dortch, Secretary, Federal Communications Commission, from William F. Maher, Jr.,Wilkins0n, Barker, Knauer, LLP, dated July 1, 2015 ("FCC WT Docket 15-44 Response to FCC staff data request") [Cal Advocates Exhibit A-20], at 6. *See also*, Jureller, at 10; *see also*, Verizon Response to Cal Advocates Data Request 3.10 [Cal Advocates Exhibit A-21]

thirteen states plus the District of Columbia. After the 2016 divestitures, Verizon ILECs were in only nine states plus DC.

The 2015 spin-off of Verizon California and other former GTE ILECs

64. Which brings us to the 2015 Joint Application by Verizon and Frontier to transfer control of Verizon's three California ILECs to Frontier as part of the larger Verizon divestiture of its ILEC operations in California, Texas and Florida to Frontier. Where in 1999 the contention being advanced was that bigger was better, that the increased scale of the combined Bell Atlantic/GTE operations would result in cost savings and various other efficiency gains, the 2015 story was now that smaller was better, that the California, Texas and Florida ILECs would realize savings of $700-million annually by virtue of not having to continue making payments to Verizon for so-called "centralized services" that Verizon was then furnishing to these companies.[82] So whereas in 1999 the claim was that a larger company would be more efficient, which would result in permanent cost savings, the 2015 story was that by shedding this $700-million overhead burden, the smaller company (Frontier) would be more efficient, which would result in permanent cost savings. Perhaps of greater importance, however, the Joint Applicants in 2015 also contended that the California ILECs (and those in the other two states being divested) would gain scale efficiencies due to how much larger Frontier would become following the acquisition:

> The Transaction proposed here will allow Frontier to build on its prior successes and allow Frontier to become a stronger provider serving a broader area, generating substantial public benefits for both its existing users and the customers

82. Jureller, fn. 64, *supra*, at 12.

> in the territories it will acquire from Verizon. Moreover, Frontier expects that the Transaction will allow it to provide services more effectively, by increasing its geographic reach *and strengthening its overall economies of scale and scope*, and will enable more efficient operations throughout its service areas, including in rural areas.[83]
>
> * * *
>
> Consistent with Public Utilities Code Section 854(b)(1), this Transaction will generate significant short-term and long-term economic benefits for California ratepayers. *Frontier anticipates that the economies of scale and scope achieved by the transaction will significantly enhance corporate and operational efficiency, thereby producing cost savings.* These efficiencies will position Frontier to be a stronger operator and provider of voice and broadband services and allow it to improve and enhance services provided in the respective service regions in California.[84]
>
> * * *
>
> The acquisition of Verizon California provides Frontier with a strategic opportunity to *increase the scale of its wireline communications business in a geographic region where the company already has significant operations*. ... The Transaction will also *increase Frontier's scope and scale in the wireline telecommunications business*, thereby positioning the company to better serve its existing customers and the customers in Verizon California's service area. ... Frontier also expects to derive efficiencies from reductions in corporate overhead, increased purchasing power, *and economies of scale*.[85]

And similar expectations of achieving economies of scale and the potential benefits to California ratepayers were also expressed in Frontier testimony in support of the 2015 Transaction:

> The Transaction provides Frontier with increased scale, improved cash flows, the opportunity to provide broadband and other services, and a concentration of

83. 2015 Application 15-03-005, at 3, emphasis supplied.

84. *Id.* at 14, emphasis supplied.

85. *Id.*, at 15, emphasis supplied.

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> high-quality personnel in the State. Frontier's improved financial strength and its singular commitment will enable the Company to maintain or improve the quality of service provided to California consumers.[86]

These expectations appear to treat Verizon's California operations as if they were separate, stand-alone island entities not affiliated with the rest of Verizon as it had existed in 2015. As shown in Table 2 above, in 2015, prior to the 2016 acquisition, Frontier was serving 3.4-million customers, while at the same time Verizon was serving 18.4-million access lines. After the 2016 acquisition, Frontier was serving 5.4-million customers, while Verizon was serving 13.9-million access lines. Put differently, before the acquisition, Verizon California was part of a company that was serving nearly 20-million access lines, whereas after the ILEC was transferred to Frontier, it was then part of a company that was serving about 5-million customers. Thus, as much larger as the 3-state acquisition would make Frontier, Frontier would still be only a quarter the size of pre-divestiture Verizon, and would still have considerably less purchasing power – and would also confront a higher cost of capital – than Verizon. Verizon California *should have been benefitting economically from its affiliation with Verizon and should have had access to Verizon's scale and overall financial strength*. It's hard to understand how the increased size of Frontier following its acquisition of Verizon's three ILECs could have afforded the California ILEC more purchasing power or greater economies of scale and scope relative to what it had enjoyed while part of Verizon.

65. Under § 854(b)(1), the Commission is to consider the Transaction's short-term and long-term economic benefits to *California* ratepayers, not to the parent company or affiliated

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86. `Jureller, fn. 64, *supra*, at 29.

companies that may be involved. Thus, in 2015, Frontier may well have anticipated increased economies of scale and scope, leading to increased efficiencies in Frontier's overall operations, but what is required under § 854(b)(1) is for the Commission to focus not upon the parent company, but upon the California ILECs specifically. As noted above, prior to the 2015 Transaction, Verizon was serving nearly 20-million customers nationwide, whereas even after the 2015 Transaction, Frontier would only be serving around 5-million customers. Thus, the California ILECs, when part of Verizon, should have been benefitting from greater economies of scale and scope than those same California ILECs would experience when owned by the much smaller Frontier. Of course, this assumes that Verizon had been structured in such a way as to ensure that its individual ILEC affiliates, such as those in California, were able to benefit from the parent company's substantial economies of scale. But where Verizon had been saddling the California ILECs with excessive overhead cost allocations as Frontier had claimed and as Verizon had not denied, Verizon may well have been preventing these former-GTE ILECs from actually realizing the scale and scope efficiencies that the overall size and scale of Verizon's operations should have afforded them.

66. That Frontier had failed to achieve the promised increase in its scale from the 2015 Transaction is borne out by assertions being made now in support of the proposed reacquisition by Verizon, that the acquisition of Frontier by Verizon will result in increased economics of scale and scope and as such will assure expanded broadband deployment in the ILECs' California service areas,

Lessons for the evaluation of Verizon's proposed reacquisition of Frontier

67. So to review, in the 1999 Bell Atlantic/GTE application, the parties assured the CPUC that bigger is better, that the integration of the GTE ILECs into what would soon become Verizon would result in greater economies of scale, increased efficiency, and lower costs. Then in 2015, the same two Joint Applicants told the CPUC that smaller is better, that divesting the California Verizon ILECs to Frontier would result in greater economies of scale, increased efficiency, and lower costs. Turning now to the current 2024 Application, the CPUC is once again being told that bigger-is-better and that the combination of Frontier and Verizon will result in greater economies of scale, increased efficiency, and lower costs.

> ... Verizon is a heavily capitalized, diversified, national and international service provider with the financial wherewithal to advance Frontier's network and provide greater resiliency and expanded capabilities. In particular, Verizon can apply its financial strength and expertise to Verizon's network and operations, which I believe will allow the Frontier system to continue its fiber deployment and improve service quality for customers.[87]

Similar expectations are expressed by Verizon:

> Verizon possesses the financial standing and expertise necessary to optimize the Frontier network. With a market capitalization of approximately $164 billion,8 and revenues of approximately $134 billion and free cash flow of $18.7 billion in 2023, Verizon has the financial qualifications to undertake the Transaction and operate the Frontier companies and assets. By leveraging its significant financial strength, capital resources, and unparalleled technology, tools, and training, Verizon will build on Frontier's post-bankruptcy efforts to deliver better service, increase value, and offer more choice to current Frontier customers.[88]

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87. Testimony of Allison M. Ellis (Frontier), January 23, 2025, at 16.

88. Opening Testimony for Verizon Communications Inc., January 23, 2025 (Vasington), at 8.

~~But what is still left unsaid and unexplained – but yet is the critical determination that the Commission is required to make – is how the greater economies of scale, increased efficiency, and lower costs *inuring to Verizon* from the reacquisition of Frontier will flow to the three *California* ILECs and to their ratepayers. From what we learned in 2015 about the excessive allocations of corporate overheads that Verizon had been charging to the California, Texas and Florida ILECs for "centralized services," together with Verizon's failure to replace and upgrade the legacy GTE OSS and other back office IT systems, is that whatever cost savings that Verizon may have actually realized at the corporate level from its merger with GTE were apparently not being flowed through to the California ILECs.~~

68. Setting aside this "bigger is better" / "smaller is better" / "bigger is better" flip-flopping, from the post-BA/GTE transaction history, we see that Verizon – at least with respect to its ILEC operations that were at issue in the 1999 CPUC proceeding – didn't stay "bigger" for very long, after off-loading all of the former GTE ILECs and even four former BOC states. We also learned in the 2015 divestiture proceeding that Verizon California and the other former-GTE ILECs had retained most of their legacy GTE operations support systems rather than transition to Verizon's, hence effectively negating the "best practices" efficiency claims made in the 1999 acquisition. As of Frontier's 2010 transaction with Verizon involving more than four million lines across fourteen states, "thirteen of those states [were still] using legacy GTE back-office systems similar to those used in the three states covered by the [2015] Transaction."[89]

89. FCC WT Docket 15-44 Response to FCC staff data request, *supra*, fn 81, at 6. *See also*, Jureller, at 10; Verizon response to Cal Advocates Data Request 3.10 [Cal Advocates Exhibit A-21],.

69. We also learned, in the 2015 CPUC proceeding, that Verizon had saddled its former GTE ILECs with substantial overhead cost allocations ostensibly to pay for the "centralized services" that Verizon was supposed to have been providing to those ILECs. In his May 11, 2015 direct testimony in support of the Frontier/Verizon Joint Application (A.15-03-005) to acquire Verizon California, Frontier Executive Vice President and Chief Financial Officer John M. Jureller testified that certain "Verizon-allocated centralized corporate costs [] will not transfer with this Transaction" and that the elimination of these allocated costs will form part of the total $700 million that Frontier anticipates the three Verizon ILECs (in California, Texas and Florida) will save as a result of the transfer of their ownership to Frontier.[90] Later in his direct testimony, Mr. Jureller stated that "The Company estimates $700 million in annualized corporate consolidated cost efficiencies for the pro forma combined company primarily through costs that do not transfer to Frontier at the closing of the transaction."[91]

70. With respect to the Jureller cost savings projections, Cal Advocates submitted the following data requests to Frontier in the current proceeding:

> 1.15.1. Please provide an ex post analysis indicating the extent to which Mr. Jureller's ex ante predictions were achieved.
>
> 1.15.2. To the extent that these predictions were not achieved, please provide a detailed narrative as to why they were not.

To which Frontier provided the following response:

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90. Jureller, at 11-12.

91. *Id.,* at 29.

> The referenced testimony of Mr. Jureller from May 2015 was based on calendar year 2014 pro forma estimated financial information and Mr. Jureller explained that "estimates on a state-by-state basis have not been finalized or disclosed" at that time. He further explained that as a result of the three-state transaction in California, Texas, and Florida and based on currently available information at the time, the Company expected to realize "$175 million in annualized cost savings from shared service efficiencies by the end of the third year of operation after closing, resulting in total annualized corporate consolidated operating cost savings of $700 million across Frontier's 29-state operating territory." The projections made by Mr. Jureller did not ultimately occur as evidenced by the fact that Frontier filed for Chapter 11 restructuring approximately four years after the referenced 2016 transaction occurred and the Commission reviewed in docket A20-05-010 and Decision 21-04-008. Frontier's increased revenue projections did not materialize as a result of a number of issues, including the higher than projected number of customer losses. During the period between 2016 and 2020, Frontier lost more than 1 million customers across its footprint. Frontier reduced its dividend in 2017 and discontinued its dividend completely in February 2018. Frontier's share price dropped from $125 per share in 2015 to less than $1 per share in 2020 and Frontier accumulated outstanding debt obligations in excess of $17 billion. In 2019, the first full year before entering Chapter 11, Frontier generated revenue of $8.1 billion but had a net earnings loss attributable to common shareholders of approximately $5.9 billion.[92]

71. Notably, Cal Advocates' predecessor, the Office of Ratepayer Advocates ("ORA") had expressed serious misgivings as to Mr. Jureller's optimistic cost savings projections. In rebuttal testimony that was submitted by Mr. Jureller, he provided the Commission with additional information on the financial impact upon Frontier resulting from the transaction. On the basis of this additional information, Mr. Jureller advised that the principal source of the benefits upon which his analysis had been based – the $700-million in annual savings associated primarily with the elimination of the Verizon "cost allocations" of centralized services to the ILECs in the three states that Frontier was acquiring – were basically illusory and did not constitute *actual* economic benefits. Mr. Jureller testified:

92. Frontier Response to Cal Advocates Data Request 1.15 [Cal Advocates Exhibit A-1],.

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> While I am confident that the Transaction will yield substantial economic benefits for California, and that competitive forces will compel those benefits to be shared between Frontier and its customers, the magnitude of those benefits in California cannot be calculated with precision. For example, a significant source of cost savings is the reduction in allocated overhead expenses, and Frontier does not have visibility into the specifics of those costs or how Verizon has chosen to allocate them to California in particular. *In fact, Frontier cannot calculate any improvement in underlying costs or operating profit relative to California because there are no specific cost differences that Frontier can identify at this time in operating the California business.* This point is important. The majority of the benefits in the Transaction arise from unspecific overhead expenses allocated by Verizon to the three states as a whole for Verizon's centralized services. *For most services, Frontier expects to have approximately the same cash revenues and cash expenses as Verizon does in California*, but without the same overhead allocations from the corporate parent. In fact, *operating costs for California are not expected to be reduced*. The Company anticipates maintaining a larger workforce and incurring higher video content costs *which means that the in-state cash costs are expected to rise, not fall*.[93]

But Mr. Jureller went even further in his attempt to negate the existence of the $700-million in annual cost savings ~~as part of Frontier's attempt to undermine the idea of any § 854(b)(2) ratepayer allocation of economic benefits~~. While conceding that "[t]he majority of the benefits in the Transaction arise from unspecific overhead expenses allocated by Verizon to the three states as a whole for Verizon's centralized services,"[94] he offered, for the very first time in that proceeding, a claim that "the expected operating cost savings [i.e., the $700-million] do not take into account the incremental financing expenses (higher debt service and dividends) related to funding the acquisition price, nor do they include the substantial integration operating or capital

93. A.15-03-005, Rebuttal Testimony of John M. Jureller, August 24, 2015 [Cal Advocates Exhibit A-22], at 10-11, emphasis supplied.

94. *Id.,*at 10, A10.

expenses or capture the new capital investment for network improvements that is contemplated by the Company."[95] Going on, Mr. Jureller explained that

> an important offset to any "savings" is the cost of capital that Frontier is raising to fund this transaction. Frontier is raising an estimated total of $10.85 billion – $2.75 billion of equity and $8.10 billion of debt. Based upon the dividend rate of the equity already raised, and using an average debt cost of 9.0%, *the total estimated incremental annual cost of capital to Frontier is approximately $1.015 billion*. This should be compared to the annual cost "savings" of $700 million. Frontier has estimated that the operation will generate incremental cash flow to support operations and capital investment, but those savings should not be in isolation of other factors.[96]

In response to Mr. Jureller's revelation, I offered the following analysis in testimony I submitted on behalf of ORA:

> Based on this testimony, Frontier's total costs to operate the three state companies included in the transaction, including the various costs it will incur to perform the functions that are now being supported by Verizon centralized services, will actually be *higher* than Verizon's current total operating costs when the "allocation" of Verizon corporate overheads is excluded. Mr. Jureller now admits that "operating costs for California are not expected to be reduced."[97] But because Frontier will be paying Verizon $10.54-billion, a price that far exceeds the net book value of the [ILEC] assets as currently being carried on Verizon's books, Frontier's debt service and other costs of carrying this $10.54-billion will be considerably greater than Verizon's costs, not even considering the higher overall cost of capital confronting Frontier due to its poorer credit rating relative to Verizon's.
>
> If this new information provided by Mr. Jureller is taken at its face value, *the Commission would be compelled to find that §854(b)(1) – the threshold requirement that the transaction provide short-term and long-term economic*

95. *Id.*, at 11, A11.

96. *Id.*, at 16, A16, emphasis supplied.

97. *Id.*, at 11, A10.

> *benefits for ratepayers – is not satisfied*. Frontier's operating expenses will be greater than those that Verizon is incurring, and its capital-related costs will be substantially higher, indeed the increment in Frontier's cost of capital *will exceed the avoided allocation of Verizon corporate overheads by nearly 50%*. In its ~~attempt to avoid having to allocate any of the economic benefits of the transaction to ratepayers, Frontier's Chief Financial Officer is now asserting that there will not be any net economic benefits to be shared.~~[98]

Of course, with 20/20 hindsight, we now know that my assessment was spot-on; the overly optimistic economic benefits claims that had been advanced by Frontier were little more than unsupported speculations that its CFO had to ultimately concede were wrong: "Frontier cannot calculate any improvement in underlying costs or operating profit relative to California because there are no specific cost differences that Frontier can identify at this time in operating the California business" and that " the total estimated incremental annual cost of capital to Frontier is approximately $1.015 billion."

72. One final note on these "centralized services" and the costs that are allocated to the individual Frontier ILECs. The "centralized services" that the Verizon California ILECs were getting from Verizon still needed to be performed, and their costs still needed to be incurred. So instead of obtaining "centralized services" from Verizon for which they were being charged $525-million annually, after the acquisition the same ILECs were obtaining the equivalent "centralized services" from Frontier. Cal Advocates Data Request 1.15.1 asked Verizon to "Please provide an estimate of the centralized corporate costs that Frontier currently allocates to the three California ILECs." Verizon responded that

98. A. 15-03-005, Supplemental Testimony of Lee L. Selwyn on behalf of the Office of Ratepayer Advocates, September 11, 2015 [Cal Advocates Exhibit A-24], at paras. 9-10, emphasis supplied.

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Thus, the total corporate costs being charged by Frontier to the three California ILECs for "centralized services" comes to **<<BEGIN VERIZON CONFIDENTIAL>>** $ **<<END VERIZON CONFIDENTIAL>>**[99] This amount, which is identified as "current" and for only the Frontier California ILECs, should be compared with the $525-million that *all of the Frontier ILECs in California, Texas and Florida combined* had been paying over to Verizon corporate for "centralized services" and which Frontier had claimed these ILECs would *avoid* following their acquisition by Frontier in 2016. Of course, the $525-million was in 2016 dollars, so one would expect that in 2025 those costs would be higher, all else equal. And we don't know how much of that former $525-million was paid by the California ILECs, but it was clearly a good deal less than that total amount. It is now abundantly apparent that the "economic benefit" that formed the core of the 2015 Joint Applicants' § 854(b)(1) claim was entirely illusory – *it never materialized* – and, when the *$1.015 billion* in additional capital costs are included (and not to mention that Frontier ended up in Chapter 11 only a few years later), it would certainly seem that the 2016 acquisitions by Frontier actually put the three ILECs in far worse shape than before they were spun-off by Verizon.

73. And looking forward to post-acquisition conditions, Cal Advocates asked Verizon to "provide an estimate of the centralized corporate costs that Verizon will allocate to the three

99. Verizon response to Cal Advocates Data Request 1.15.1 [Cal Advocates Exhibit A-10],.

California ILECs upon the transfer of these companies from Frontier ownership back to Verizon." In its response, Verizon referred back to its response to Cal Advocates Data Request 1.15.1 regarding *current* centralized services allocations, and advised that it "has not completed its integration and financial review associated with the Transaction and has not yet estimated whether the centralized corporate costs that will be allocated to the three California ILECs after the closing of the transaction will increase, decrease, or otherwise change."[100] Given the critical role that these "centralized services cost allocations" played in the 2015 transaction, it's difficult to see how the Commission can make any § 854(b)(1) finding as to "short-term and long-term economic benefits" of the proposed Transaction, inasmuch as Verizon is unable to advise as to "whether the centralized corporate costs that will be allocated to the three California ILECs after the closing of the transaction will increase, decrease, or otherwise change." And without such a finding, § 854(b)(1) is not satisfied, and this proposed change-of-control cannot be approved.

Despite having provided numerous assurances both to this Commission and to the FCC of a transparent and problem-free transition from Verizon to Frontier following the 2016 change of ownership, Frontier experienced massive service interruptions, outages, and other failures.

74. The actual extent to which these "centralized corporate costs that will be allocated to the three California ILECs after the closing of the transaction will increase, decrease, or otherwise change" will, of course, be highly dependent upon the degree of difficulty that Verizon will encounter as it transitions Frontier's operations and systems to those being used by Verizon. The Verizon-to-Frontier transition – and its potential disruptions – was a major concern at both the state and federal levels during the 2015 proceedings.

100. Verizon Response to Cal Advocates data request 1.17 [Cal Advocates Exhibit A-11],.

75. On June 17, 2015, Randy Clarke, Chief, Competition Policy Division of the FCC's Wireline Competition Bureau, sent a letter to Frontier and Verizon requesting certain information regarding financing, Operations Support Systems (OSS) cutover planning, service quality, benefits and broadband investments, and projected cost savings.[101] The Joint Applicants provided their response in a letter to the FCC dated July 1, 2015.[102] With respect to OSS/Transition issues, the FCC Staff asked (item 2.a):

> Please provide details on this transition plan, including the level of complexity anticipated, and the scope and scale of testing the parties will conduct prior to the cutover.

I have excerpted salient portions of the Joint Applicants' lengthy response below:

> Frontier has extensive experience successfully transitioning customers – retail and wholesale – to its operating systems, including after its 2010 transaction with Verizon involving more than four million lines across fourteen states, with thirteen of those states using legacy GTE back-office systems similar to those used in the three states covered by the current Transaction. For this Transaction, Frontier has dedicated teams of employees to plan for and execute the transition of network facilities to Frontier. The teams cover all aspects of the transition, including the Voice/TDM Network, Data Network, Network Operations Center, and Engineering. ...

101. FCC WT Docket 15-44, Letter to William F. Maher, Patrick R. Halley, Wilkinson Barker Knauer, LLP, and Kathleen M. Grillo, Senior Vice President, Federal Regulatory and Legal Affairs, Verizon, fro m Randy Clarke, Chief, Competition Policy Division, FCC Wireline Competition Bureau, dated June 17, 2015 [Cal Advocates Exhibit A-19] https://www.fcc.gov/ecfs/document/60001071804/1 (accessed 2/4/25).

102. FCC WT Docket 15-44, Letter to Marlene H. Dortch, Secretary, Federal Communications Commission, from William F. Maher, Jr.,Wilkins0n, Barker, Knauer, LLP, dated July 1, 2015 (FCC WT Docket 15-44 Response to FCC staff data request) [Cal Advocates Exhibit A-20] https://www.fcc.gov/ecfs/document/60001090092/1 (accessed 2/4/25).

> Verizon and Frontier also have established a Cutover Plan describing the service and operation transition activities that the parties are to perform and how. In doing so, the parties are sensitive to the amount of coordination they can lawfully undertake prior to closing. The Cutover Plan comprises primarily two components: (1) functional cutover plans, and (2) a deliverable schedule. There are more than 140 individual functional cutover plans. They describe in detail the specific business and systems deliverables for which Verizon and Frontier will be responsible and the processes for extracting data and transferring the data from Verizon to Frontier. ...[103]

In item 2.d, the FCC Staff asked:

> Do the parties have a plan to mitigate any customer service problems that result from the cut-over? If so, please describe it.

As above, I have excerpted salient portions of the Joint Applicants' lengthy response below:

> As noted above, the parties' Cutover Plan provides for planning and testing the data transfer and integration process prior to conversion to help ensure that the transition is effectively transparent to the customer. Frontier will transition the operations to its existing billing and OSS post-closing, negating the need to build new systems and avoiding a lengthy or disruptive transition period for consumers.
>
> ... Frontier has been successful in accomplishing systems conversions in its previous transactions and anticipates that there will be no significant or ongoing disruptions in services to customers transitioning from Verizon to Frontier. To the extent problems do occur as a result of the cutover, Frontier's teams will be ready to quickly evaluate and resolve those problems. *Pursuant to the Cutover Plan, Verizon also will provide assistance post-closing if necessary. ...*
>
> ... As with all of its acquisitions, Frontier is extremely sensitive to ensuring that customers will not be adversely impacted by the transition onto the Frontier network since each and every customer is critical to its success as a competitor in California, Florida, and Texas. To the extent there are unexpected customer service problems or issues that arise, Frontier will deal with them on a

103. *Id.*, at 5-6.

> case-by-case basis and ensure that the customer issues are resolved quickly and fairly.[104]

76. Of course, the cutover was anything but smooth or seamless. There were extensive problems, and hearings and proceedings were undertaken both at the California Assembly and at the CPUC to address them.

77. On May 18, 2016, just six weeks following the Frontier takeover, the California Assembly Committee on Utilities & Commerce held an "Informational Hearing" on the "Frontier Telecommunications Transition" to address the by-then problematic transition issues that had arisen. The Committee's Briefing Paper described the situation as follows:

> Beginning April 1, 2016, numerous customers experienced service problems transitioning from Verizon to Frontier. Customers' complained of intermittent and unreliable telephone voice services, including dropped calls, bad reception, and no service. In addition to intermittent and unreliable telephone voice services, other issues included billing discrepancies, broadband connection problems, and a lack of content on Frontier's Video on Demand services. These issues were further exacerbated by poor customer service, including long wait times to speak to Frontier customer service representatives and delays in scheduling technicians to fix issues for customers.
>
> * * *
>
> According to the CPUC, since April 1, 2016, it has received approximately 867 informal complaints associated with the transition. According to Frontier, the FCC has received approximately 1,401 complaints; however, they note that not all complaints are transition related. The U&C Committee also notes that it has received over 50 complaints on the transition since April 1st. Furthermore, Fron-

104. *Id.*, at 7-8, emphasis supplied.

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> tier notes that on average it receives 1,300 – 1,600 trouble tickets per day. This is in addition, to pending trouble tickets transferred from Verizon on April 1st.[105]

78. The CPUC enumerated multiple transition problems in D.16-12-066:

> After the transition from Verizon, California to Frontier following this Commission's approval of the transaction in D.15-12-005, complaints spiked from many customers of Frontier in Southern California who apparently lost dial tone, as well as Internet and video access. Many customers suffered outages lasting one to three weeks. Outages were concentrated among former Verizon California Fiber Optic Customers (FiOS) customers, particularly in Long Beach, Santa Monica, Malibu, Redondo, Hermosa, Manhattan Beach, and Camarillo.[106]

And in that same Decision, the Commission recounted some of the sources of the transition-related problems and outages:

> Verizon California and Frontier developed a joint cutover plan in February 2015 to transfer processes and programs between the companies with a schedule of deliverables including access to data prior to closing. They conducted four pre-cutover "mock data exchanges" to test processes, validate and confirm successful transfer of data. Frontier developed a lab in Ft. Wayne, Indiana to test Verizon equipment with the Frontier network. Michael Golob, Frontier Vice-President, testified that Frontier was not able to obtain all Verizon customer equipment, including certain Optical Network Terminals (ONT) that some customers who experienced outages in the post-transition period in April 2016 had on their premises. Frontier's Root Cause Analysis explained "(W)ith respect to the incorrect or missing data, Frontier conducted testing prior to the cutover, but this testing did not (and could not) identify that Frontier's systems could not process a small percentage of the data within the Verizon network extract after it was transferred to Frontier's network."
>
> Frontier's Root Cause Analysis further stated that "Verizon provided to Frontier all relevant data that was in Verizon's systems; indeed, hundreds of

105. Assembly Committee on Utilities & Commerce, Frontier Telecommunication Transition Briefing Paper, May 18, 2015 [Cal Advocates Exhibit A-23], at 2-3.

106. *Order Instituting Investigation to Address Intrastate Rural Call Completion Issues*. I.14-05-012, D.16-12-066, at 81, footnote references omitted.

> millions of data items were transferred from Verizon to Frontier. However, Verizon and Frontier have different systems with different processes to resolve data issues. Frontier's systems were not able to communicate properly with the equipment in the network in some cases." ...
>
> Melinda White, Western Region President of Frontier, stated that on the first day after the Verizon California-Frontier transition, Frontier planned to start training over 4,000 Verizon California employees who came over to Frontier. This included field technicians who Frontier planned to train during the first two weeks following the transition. Instead "FiOS [a form of Verizon VoIP] techs went out into the field on day two … they never left the field. And they have been out there working like you wouldn't believe to resolve."
>
> To prepare for anticipated service questions post- transition Frontier retained the offshore customer call center in the Philippines that Verizon California used. Ms. White said Frontier anticipated the questions would be about "who are you, who is Frontier, I have my bill, I don't understand it, I have trouble on my line, all of the many reasons that people call." Ms. White added "The offshore call center has been very disappointing…out of service trouble that we received could have been more manageable had the call center experience been much improved.[107]

Thus, despite the repeated assurances made by both Frontier and Verizon to this Commission and to the FCC that the transition would proceed smoothly and seamlessly from the customers' standpoint, the result was anything but.

79. And in a sense, this failure should not have come as a surprise because, in addition to the lack of coordinated integration, the underlying network already suffered service quality issues, particularly with regard to service outages. As ETI reported in our Network Exam Report, Phase I:

> ... In D.15-12-005, the CPUC's Order approving the transfer, the Commission noted that:

107. I.14-05-012, D.16-12-066, at 77-80, footnote references omitted.

> Verizon consistently failed to meet the Commission's standard for OOS repair intervals and its performance on this metric worsened over time. GO 133-C requires that a minimum of 90% of OOS repairs should be completed within 24 hours. Verizon's performance on this metric declined from 72% of repairs completed within 24 hours in 2010 to 68% in 2014, even though the number of Verizon's working wirelines decreased by 43% during that period.
>
> Verizon had 146 outages that met the FCC's criteria for major outages (a loss of 900,000 or more user minutes) and 208 outages that met the E911 reporting criteria. Although the average number of such outages per year decreased during this period, the average impact of the outages, measured in lost user minutes, increased.

Based upon this record, the Commission ordered that:

> In response to the continuing under performance of Verizon on critical OOS metrics, *we will require that in the interval between the issuance of this decision and the closing of the Transaction, Verizon shall fully comply with GO 133-C and complete a minimum of 90% of out of service repairs within 24-hours of receiving notice of the out of service condition*.

Following the April 1, 2016 closing date, on May 13, 2016, Frontier California submitted the Company's General Order 133-C/D Quarterly Service Quality Standards Report for the first quarter of 2016, the last three-month period "between the issuance of [D.15-12-005] and the closing of the Transaction," According to that report, Verizon had actually cleared 91.58% and 92.64% of OOS conditions "within 24-hours of receiving notice of the out of service condition" for the months of February and March 2016, respectively, thus seemingly meeting the D.15-12- 005 requirement as the Commission had directed to be achieved as a precondition for the closing. Faced with a powerful $10.5-billion financial incentive to do whatever was necessary to meet this condition, Verizon managed to make it happen – perhaps by importing personnel from some of its other ILEC operations outside of California. However, this two-month compliance as reported in the May 13, 2016 filing was clearly an anomaly. When Frontier filed its GO 133-C/D report for the second quarter of 2016 on August 15, 2016, it showed 24-hour completion percentages for April, May and June 2016 of only 42.92%, 20.85%, and 72.35%, respectively. And from subsequent filings for the remainder of 2016 and through the fourth quarter of 2017, Frontier never

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> repeated Verizon's one-time surge and exceed the 90% of OOS cleared within 24 hours threshold.[108]

80. With the 2016 cutover problems in mind, Cal Advocates Data Request 1.17.1 addressed the 2016 transition issues, asking Verizon whether it "intend[s] to transform Frontier's operations and systems to the Verizon platform following the reacquisition?" Verizon's response was that:

> **<<BEGIN VERIZON CONFIDENTIAL>>** [redacted]
> **<<END VERIZON CONFIDENTIAL>>**[109]

With respect to the cutover, there are considerable parallels between Verizon "not to worry" assurances of a trouble-free transition here and those provided by these same companies in 2015, and we know how that worked out. Verizon cannot guarantee a trouble-free cutover any more

---

108. Economics and Technology, Inc., "Examination of the Local Telecommunications Networks and Related Policies and Practices of AT&T California and Frontier California, Study conducted pursuant to the California PUC Service Quality Rulemaking 11-12-001, D.13-02-023, and D.15-08-041," April 2019 ("Network Exam Phase I Report"), at 52-53, citing *D.15-12-005, Decision Granting Application Subject to Conditions and Approving Related Settlements*, December 9, 2015, at 66-67, citations omitted, emphasis supplied.

109. Verizon response to Cal Advocates data request 17.1 [Cal Advocates Exhibit A-11],, emphasis supplied.

than Frontier could in 2016. If the Commission approves this Transaction, it should consider including, as a condition for approval, strict details as to exactly what is expected for the cutover, and financial penalties for non-compliance that are sufficiently punitive to assure that all promises are actually kept.

3. Broadband availability within the Frontier ILEC service area in California

Broadband – even low-speed DSL – remains unavailable across large portions of Frontier's ILEC ser vice areas in California.

81. While Frontier has made considerable progress since emerging from bankruptcy in 2021 in extending its FTTP broadband infrastructure to many additional locations, there remain large parts of Frontier's California footprint that have not been upgraded. Table 3 below provides, separately for each of the three California ILECs, the percentage of total locations served by Frontier at which fiber optic facilities are presently deployed. Taken over all three of Frontier's California ILECs, more than **<<BEGIN FRONTIER CONFIDENTIAL>>** %, representing nearly **<<END FRONTIER CONFIDENTIAL>>** of all residential locations passed, and more than **<<BEGIN FRONTIER CONFIDENTIAL>>** % **<<END FRONTIER CONFIDENTIAL>>** of all nonresidential locations passed, do not have Frontier FTTP-based broadband service at this time.[110] And, while cable-based broadband is also being offered in many of these same areas, a substantial number of locations where cable MSOs are offering high-speed broadband, the MSO is the sole provider, and consumers are not being presented with any competitive choice.

110. Frontier confidential response to Cal Advocations Data Request 1.39 [Cal Advocates Exhibit A-3-C],.

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<<BEGIN FRONTIER CONFIDENTIAL>>

Table 3

THREE FRONTIER CALIFORNIA ILECs
BROADBAND AVAILABILITY AS OF DECEMBER 31, 2023

	Residential	Non-residential	Total
Locations passed - all services (NOTE 1)			
Total locations passed where FTTP is available			
Percent of locations passed served by fiber	%	%	%
Total locations passed where DSL is available			
Percent of locations passed where DSL is available	%	%	%
Total locations passed where some form of broadband (DSL or FTTP) is available			
Percent of locations passed where some form of broadband (DSL or FTTP) is available	%	%	%
Locations without FTTP			
Percent of locations without FTTP	%	%	%
Locations where no broadband of any type is available			
Percent of locations where no broadband of any type is available	%	%	%

Source: Frontier confidential response to Cal Advocations Data Request 1.39 [Cal Advocates Exhibit A-3-C],.
NOTE 1: Figures may include some nonresidential and mixed residential/business locations.
Source: Frontier response to Cal Advocates DR 1-39

<<END FRONTIER CONFIDENTIAL>>

High-speed fiber-based broadband continues to be unavailable to a large portion of locations within Frontier's service areas in California.

82. In order to understand the full scope of broadband availability and competition within the Frontier ILEC service areas, we have developed a set of maps and data at an extremely granular level – individual Census Blocks – to identify unserved and underserved areas as well as those where high-speed broadband access is offered by Frontier and/or by other providers.

83. The Federal Communications Commission (FCC) requires that all broadband service providers submit data, on a semi-annual basis, describing in considerable detail the nature and availability of their broadband services and facilities. Beginning with periods after June 2022, the FCC introduced a new Broadband Data Collection ("BDC") system that has been implemented to support the FCC's National Broadband Map.[111] In December 2022, the FCC released the first iteration of its National Broadband Map, together with the underlying data, that had been compiled using the BDC system, and has continued to issue updates to this dataset at six-month intervals. The most recent release occurred in December 2024, and provides data as of June 2024.

84. Among other things, the BDC system provides data on the types of broadband service that is available (technology), the maximum advertised uplink and downlink speeds (data rates), and the specific providers offering service, at the individual Census Block level. Using the December 2024 update, ETI has prepared a series of maps, at the state- and county-levels,

111. *Establishing the Digital Opportunity Data Collection Modernizing the FCC Form 477 Data Program*, FC WC Dockets. 19-195, 11-10, *Third Report and Order*, Rel. January 19, 2021, FCC21-20.

showing areas within Frontier's California operating areas where broadband service is available either from Frontier or from another service provider.

85. The FCC data identifies the presence of some type of wireline broadband infrastructure at roughly 2.58-million individual locations in Frontier's California operating areas, identifying for each such location the specific "last mile" broadband technologies and key service attributes that are available to the customer, as well as the identity of the service provider or providers that offer service at each location. The "technology" classification refers to the type of infrastructure that is being used to deliver the broadband service to the customer's premises – what is often referred to as the "last mile" – even though multiple technologies and types of infrastructure may be involved in bringing the service from the service provider to the end-user customer. Thus, where fiber-to-the-premises ("FTTP") is present, the technology code is 50; where coaxial cable is used to deliver the service to the customer's premises – the so-called "fiber-to-the-node" ("FTTN") architecture adopted by most cable service providers – the technology code is 40. The BDC dataset also shows the nominal availability of some form of fixed wireless broadband which its providers consider to be available almost universally within the Frontier footprint. However, for the reasons discussed above – and apparently agreed to by Verizon – we do not consider fixed wireless broadband to provide an equivalent capability to fiber-to-the-premises or fiber-to-the-node architecture. Accordingly, areas within the Frontier footprint are considered to be underserved where neither Frontier nor any other wireline broadband provider (typically a cable MSO) are offering wireline broadband.

86. ETI has prepared a set of seven maps for each of the 47 California counties where Frontier has a presence. In all, there are 329 maps, which are provided in Attachment 2 to this testimony. Table 4 below describes each of the seven types of maps that have been prepared:

Table 4

FRONTIER SERVICE AREAS IN CALIFORNIA
BROADBAND AVAILABILITY MAPS

Map	Description
1	Areas served by one of the three Frontier ILECs (light blue)
2	Areas within the Frontier service area where Fiber-to-the-Premises ("FTTP") has been deployed (shown in dark blue)
3	Areas within the Frontier service area where one or more service providers other than Frontier offers high-speed wireline broadband service, defined as providing an advertised downlink speed of at least 100 mbps (shown in green).
4	Areas within the Frontier service area where Frontier has not deployed fiber but where one or more other service providers offers high-speed wireline broadband service, defined as providing an advertised downlink speed of at least 100 mbps (shown in green). Areas shown in light blue have no wireline broadband, and are thus considered to be underserved.
5	Number of competitors (including Frontier) offering high-speed wireline broadband service using any technology, defined as providing an advertised downlink speed of at least 100 mbps (shades of green) Areas shown in light blue have no wireline broadband.
6	Areas where Frontier provides FTTP broadband and where no other provider offers high-speed wireline broadband service
7	Areas served by Frontier where it does not offer FTTP broadband

87. Cal Advocates Data Request 1.35 asked Frontier to provide a list of all census blocks within California that constituted the service areas of all three of the Frontier ILECs in the state.

In its initial response, Frontier identified 85,597 census blocks. ETI mapped those census blocks and compared the service area with that shown on the map included with the Joint Application (at page 5), and observed that the census blocks that had been provided did not cover the entirety of the areas being served by Frontier. Cal Advocates asked Frontier to review its response to 1.35 and to provide a complete list of census blocks, which it did on February 14, 2025. That list contained 143,418 census blocks. This revised list was then compared with census blocks contained in the FCC's Broadband Data Collection, and it was determined that there were 3,128 additional census blocks that were in the BDC dataset as containing Frontier broadband locations but that were not included in the revised response to DR 1.35. Table 5 below summarizes these census block counts. For the maps and data tables provided here, these additional census blocks have been included.

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Table 5

FRONTIER CALIFORNIA ILECs
CENSUS BLOCKS USED IN THIS ANALYSIS

County	Census Blocks Identified as Frontier Service Area by Frontier in Revised Response to CA DR.135	Census Blocks with Frontier Broadband in FCC BDC but Not Identified By Frontier in Revised Response to CA DR 1.35	Census Blocks in Frontier Service Area as Contained in FCC Broadband Data Collection
Alameda	22	-	22
Alpine	141	-	141
Calaveras	14	1	15
Colusa	1,445	8	1,453
Del Norte	1,265	25	1,290
Fresno	2,582	30	2,612
Glenn	2	-	2
Humboldt	1,521	-	1,521
Imperial	998	20	1,018
Inyo	1,661	1	1,662
Kern	6,853	7	6,860
Kings	621	-	621
Lake	1	-	1
Lassen	2,405	-	2,405
Los Angeles	34,671	1,781	36,452
Madera	8	-	8
Marin	307	18	325
Mendocino	766	-	766
Merced	960	2	962
Modoc	1,183	5	1,188
Mono	1,288	3	1,291
Monterey	147	-	147
Nevada	37	-	37
Orange	4,700	225	4,925
Placer	273	-	273
Plumas	788	-	788
Riverside	22,020	135	22,155
Sacramento	2,794	141	2,935
San Bernardino	29,679	274	29,953
San Diego	50	8	58
San Joaquin	1,715	42	1,757
San Luis Obispo	457	8	465
Santa Barbara	6,799	118	6,917
Santa Clara	2,285	47	2,332
Santa Cruz	117	3	120
Shasta	1,959	20	1,979
Siskiyou	712	-	712
Solano	489	27	516
Sonoma	312	1	313
Stanislaus	615	-	615
Sutter	156	-	156
Tehama	402	-	402
Trinity	822	2	824
Tulare	1,561	39	1,600
Tuolumne	166	1	167
Ventura	5,428	136	5,564
Yolo	221	-	221
TOTALS	**143,418**	**3,128**	**146,546**

88. Figure 2 below is a map of California showing (1) in light blue, all census blocks identified by Frontier in its revised response to Cal Advocates Data Request 1.35 [Cal Advocates Exhibit A-2], plus the additional 3,128 census blocks in the BDC that were not included in the revised response to DR 1.35, and (2) shown in dark blue, those census blocks where Frontier is providing FTTP *FiOS* broadband.

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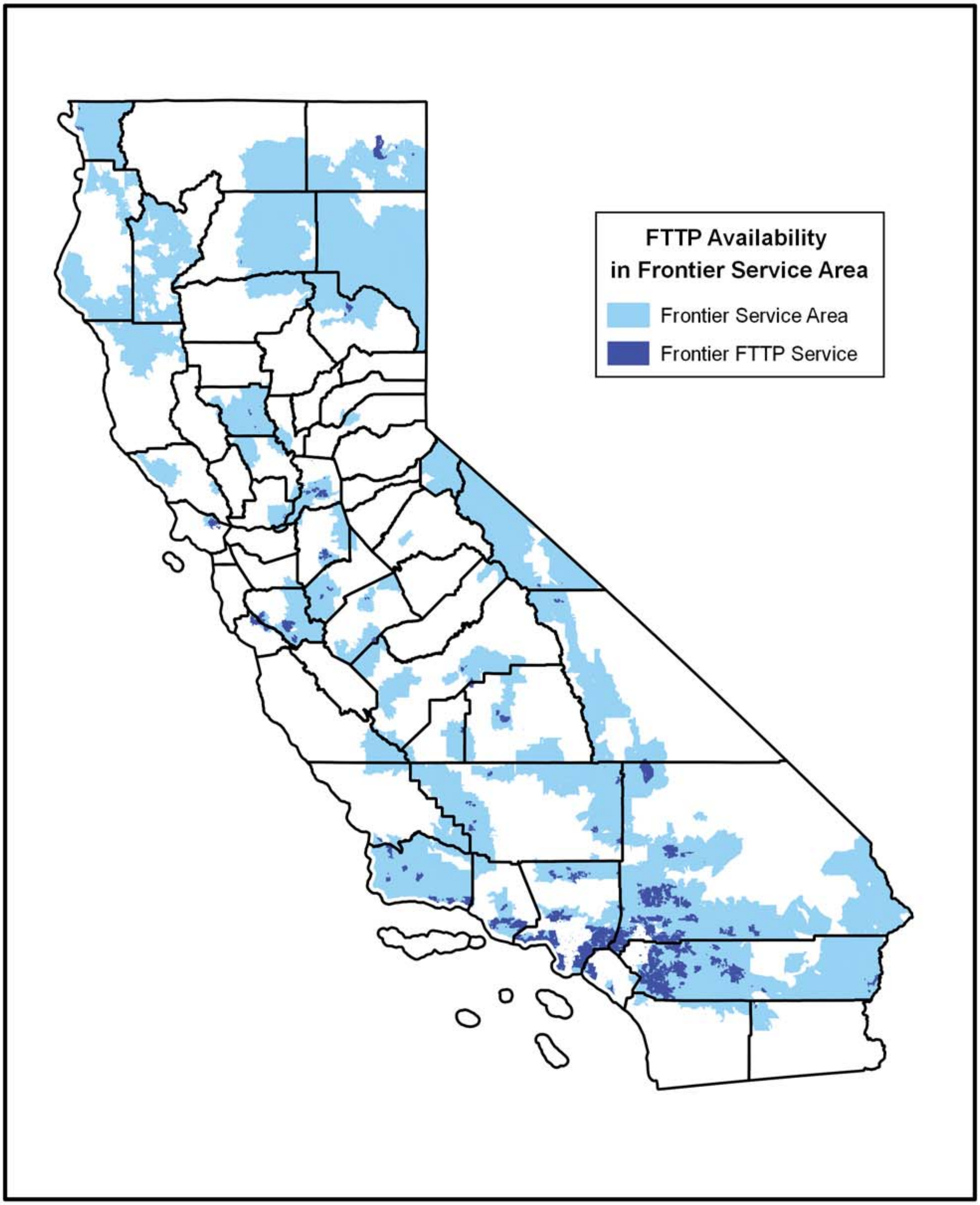

Figure 2. Map of California showing (1) all census blocks identified by Frontier in its revised response to Cal Advocates Data Request 1.35 and (2) those census blocks where Frontier is providing FTTP Broadband.

89. Using the map set for Riverside County as an example, following are descriptions of each of the seven individual maps being provided in each county map set:

Map 1: Frontier service area

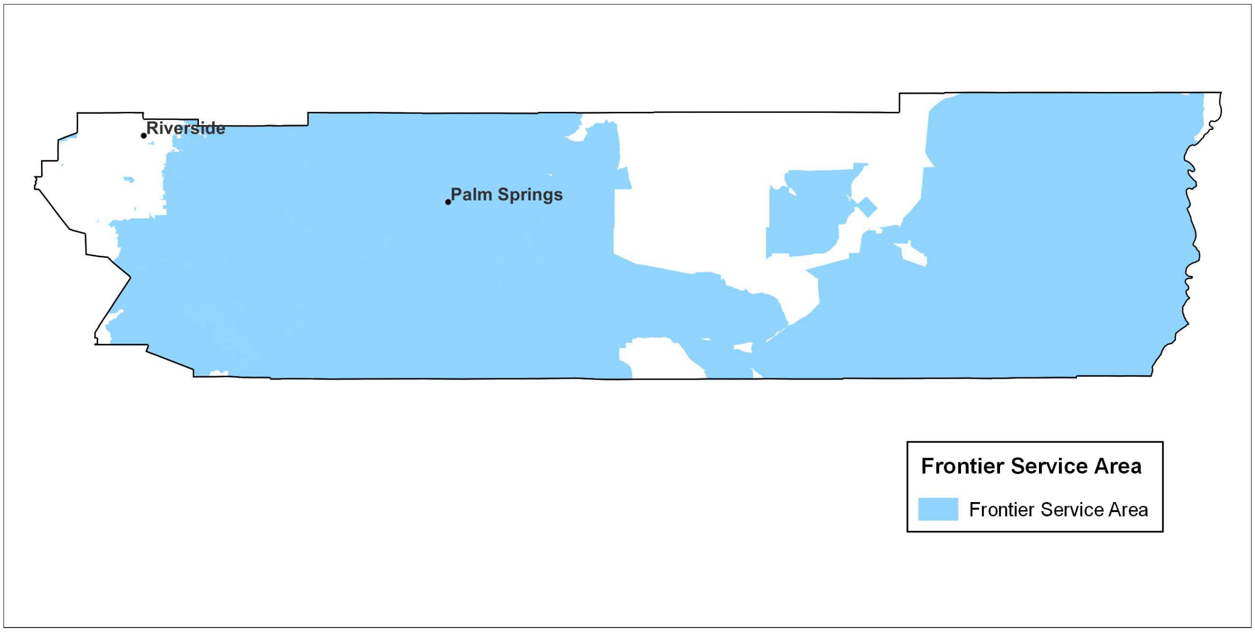

Figure 3. Map 1: Riverside County, areas served by one of the three Frontier ILECs

90. Map 1 provides the entire Frontier ILEC service area (all three Frontier ILECs) footprint for all services, including Plain Old Telephone Service (POTS) as well as broadband. Those portions of Riverside County that are not shaded in light blue are served by ILECs other than one of the three Frontier companies.

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Map 2: Areas where Frontier has deployed Fiber-to-the-Premises ("FTTP")

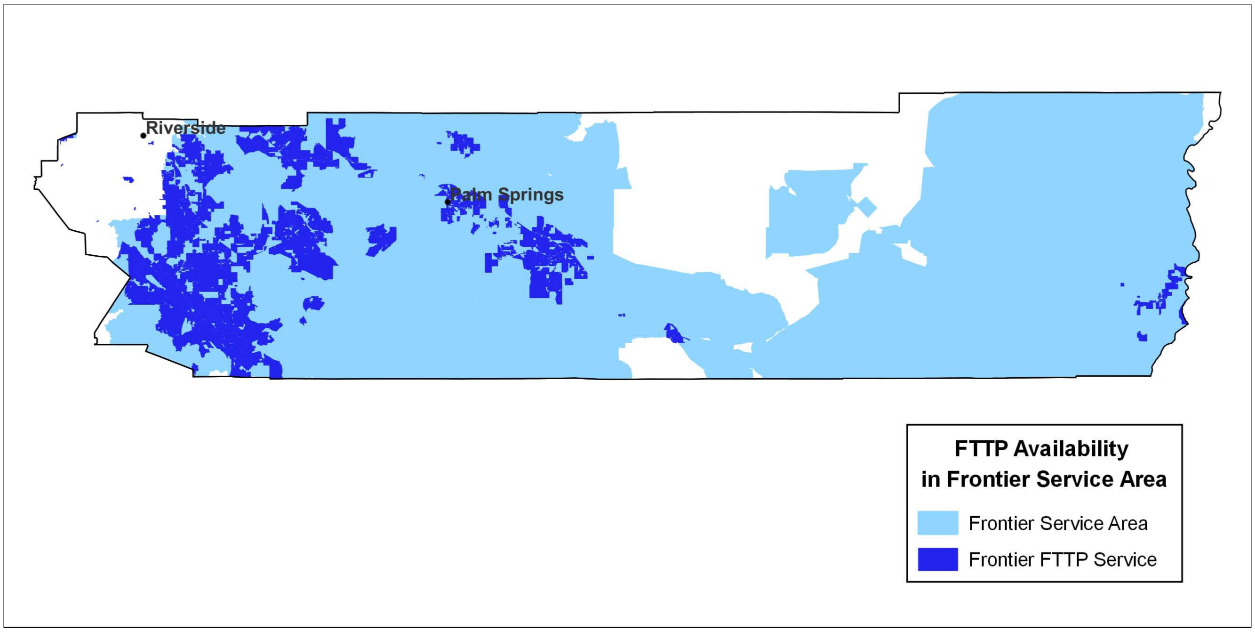

Figure 4. Map 2: Riverside County, areas within the Frontier service area where Fiber-to-the-Premises ("FTTP") has been deployed.

91. Map 2 overlays those areas (dark blue) where Frontier has deployed fiber-to-the-premises *FiOS* infrastructure. The remaining areas within the overall Frontier footprint are shown in light blue. Frontier may be offering DSL broadband in these areas, but at speeds that are well below the FCC 100/20 standard.

Map 3: Locations within the overall Frontier service area where 100/20 broadband is offered by another service provider.

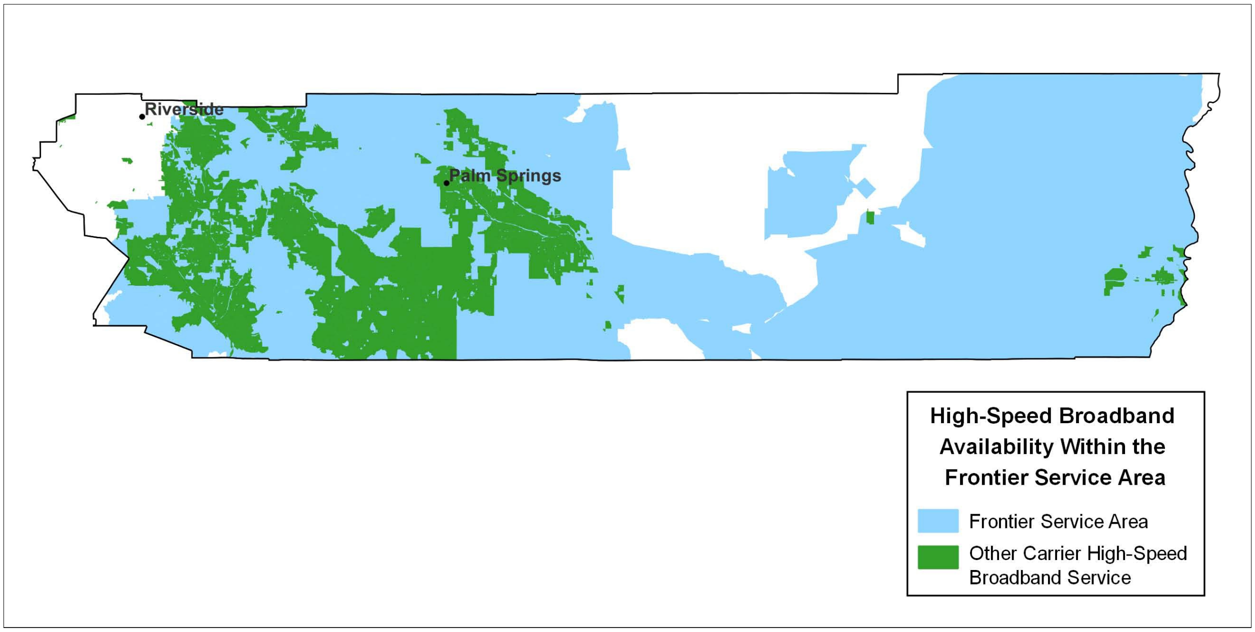

Figure 5. Map 3: Riverside County, areas within the Frontier service area where one or more service providers other than Frontier offers high-speed wireline broadband service, defined as providing an advertised downlink speed of at least 100 mbps.

92. Map 3 overlays those areas where a service provider *other than Frontier* offers high-speed wireline broadband with advertised downlink/uplink speeds of at least 100/20 mbps.[112] These locations are shown in green. The light blue areas represent those portions of the overall Frontier ILEC footprint where no competing broadband provider offers service.

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112. In 2024, FCC "increased] the fixed broadband speed benchmark from 25/3 Mbps to 100/20 Mbps based on the current state of broadband needs, usage, and deployment." *I/M/O Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion*, GN Docket no. 22-270, *2024 Section 706 Report*, FCC 24-27, Adopted: March 14, 2024 Released: March 18, 2024, at para. 22.

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Map 4: Locations within the Frontier service area where Frontier has not built out FTTP but another service provider offers high-speed broadband.

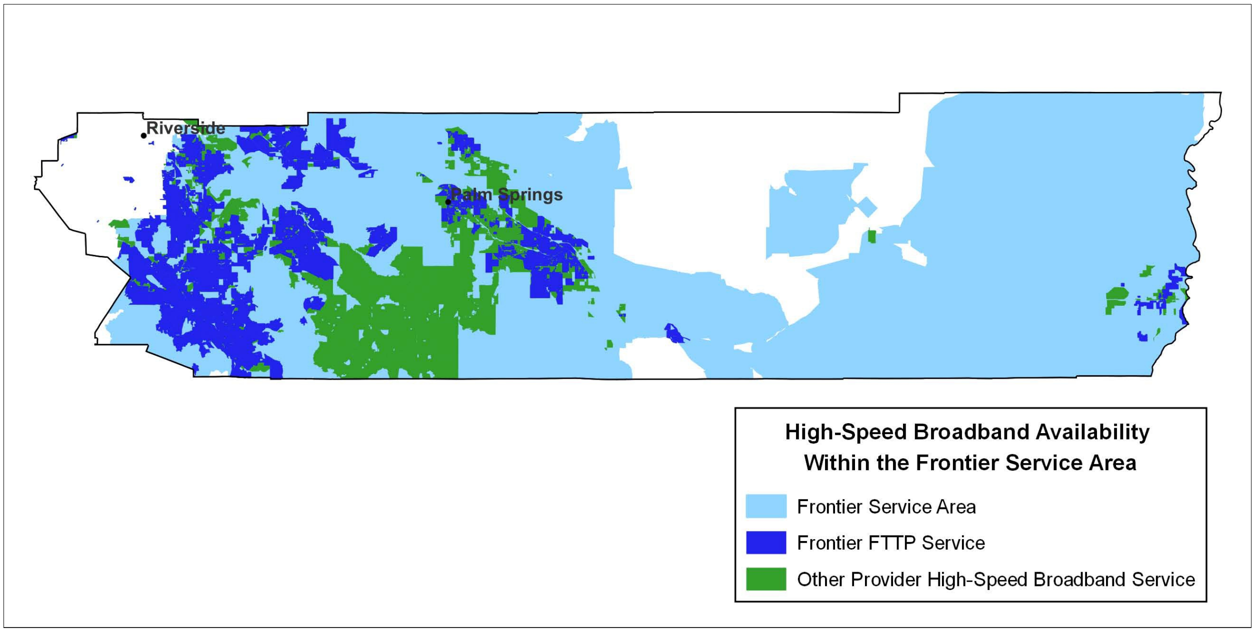

Figure 6. Map 4: Riverside County, areas within the Frontier service area where Frontier has not deployed fiber but where one or more other service providers offers high-speed wireline broadband service

93. Map 4 shows all of the areas within the Frontier footprint where Frontier offers fiber-based broadband (shown in dark blue), as well as those areas where Frontier does not offer fiber-based broadband but where another service provider does (shown in green). In Riverside County, other providers are serving a significant number of locations where Frontier does not have fiber. However, elsewhere, competing provider(s) generally overlay the areas where Frontier has deployed fiber. In some cases, such as Los Angeles County, the locations where broadband is offered by Frontier are generally the same as those where it is offered by another service provider.

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Map 5: Number of competitors including Frontier offering high-speed broadband service at each location within the Frontier service area

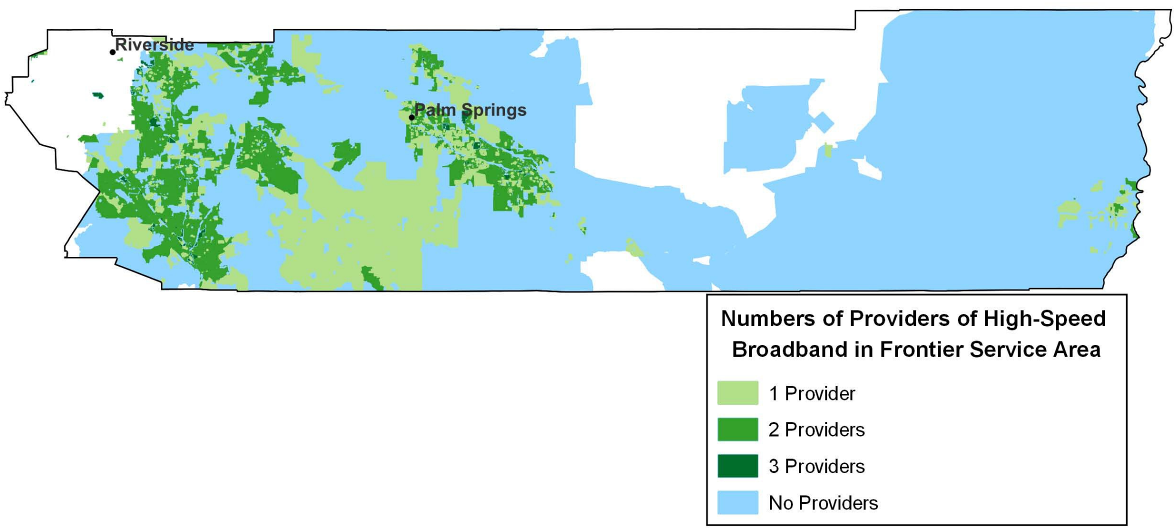

Figure 7. Map 5: Riverside County, number of competitors (including Frontier) offering high-speed wireline broadband service using any technology, defined as providing an advertised downlink speed of at least 100 mbps

94. Map 5 indicates the total number of service providers – including Frontier – at each location where high-speed wireline broadband service is available. Successively darker shades of green indicate more service providers. In the case of Riverside County, there are large areas where high-speed broadband is available from only one provider, but there are also many areas where two or more providers are currently offering service. There is no high-speed wireline broadband currently being offered in the those portions of the Frontier footprint shown in light blue.

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Map 6: Locations where Frontier is the only provider of FTTP high-speed broadband.

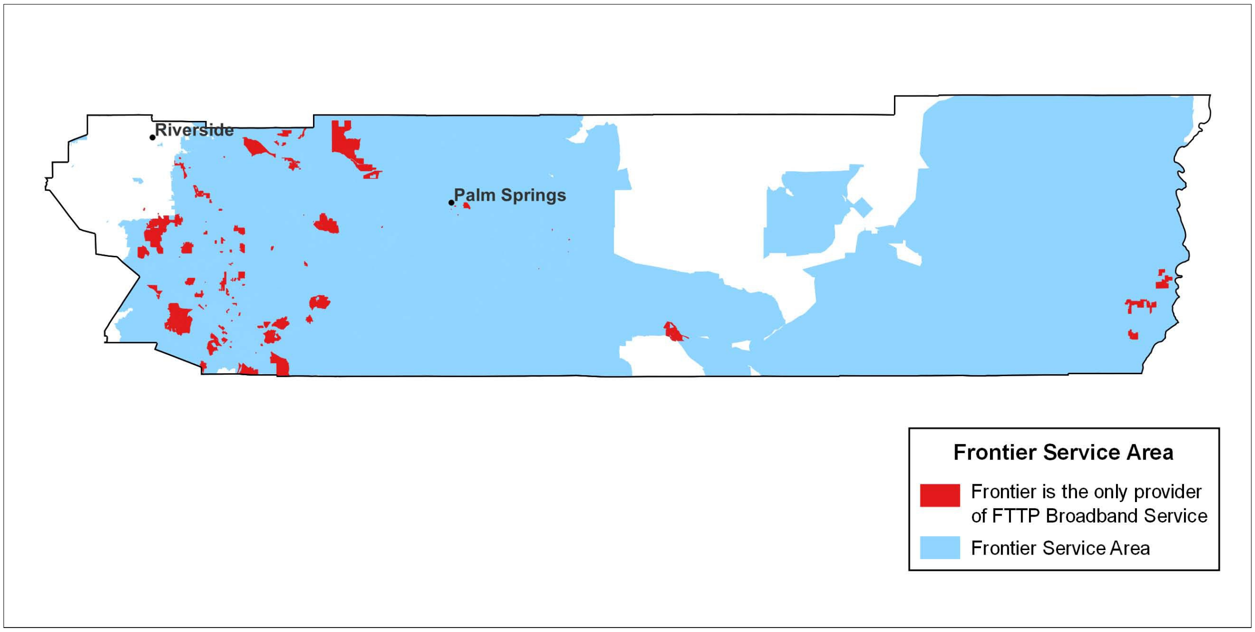

Figure 8. Map 6: Riverside County, locations where Frontier is the only provider of FTTP broadband service.

95. As shown in Maps 4 and 5, many of the locations where Frontier provides FTTP broadband are also being served by one or more high-speed wireline broadband providers. However, there are a numbers of locations – the majority of which are found in Riverside and San Bernardino Counties – in which Frontier is the only source of broadband at speeds at or in excess of 100/20.

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Map 7: Areas served by Frontier where it does not offer broadband of any form

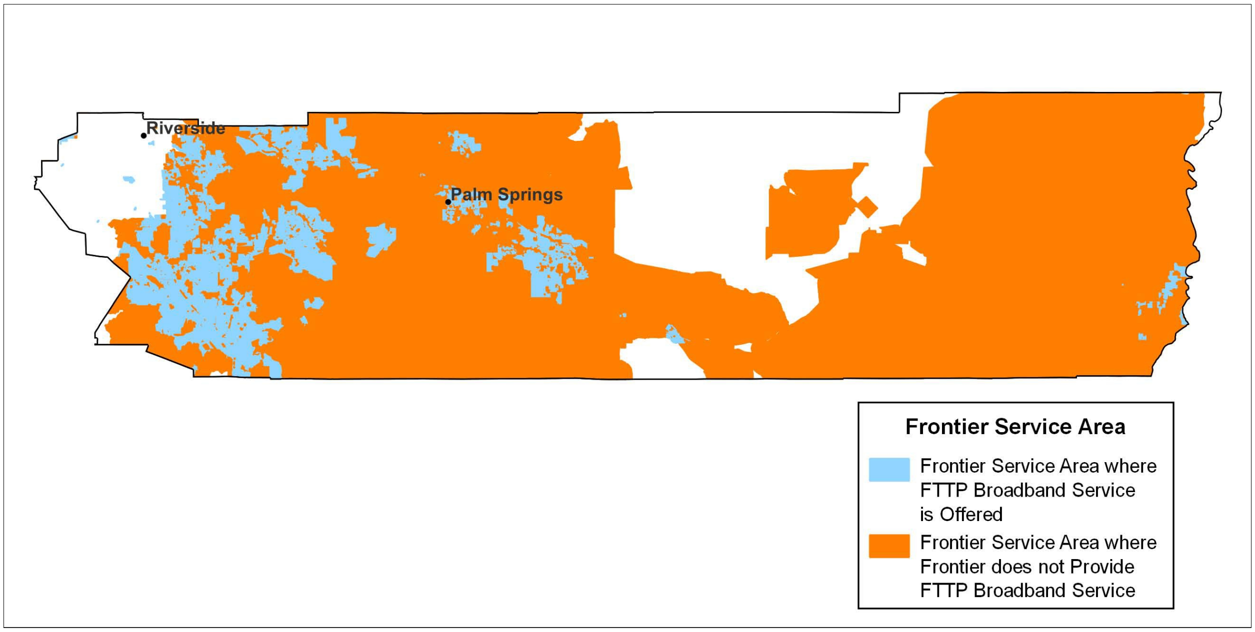

Figure 9. Map 7: Riverside County, locations where Frontier does not currently offer high-speed FTTP broadband service.

96. Map 7 highlights all of the areas served by any of the three Frontier ILECs where no FTTP broadband service is available from Frontier, although it may be available from one or more other providers (see Map 3 above). These areas contain 446,852 households with a total population of 1,240,952.'

97. The FCC BDC database provides data on the number of "locations" that are being served by each broadband provider, including the type of broadband that is being offered at each "location. A "location" as used in the BDC is a single address, which could include one household in a single-family dwelling or multiple households in a multi-family dwelling at that address. Thus, for a multi-unit dwelling with, say, 100 apartments, the BDC would count that as

a single "location." For this reason, I believe that "households," as used by the US Census Bureau, provides a more accurate representation of broadband availability than "locations" as provided in the BDC. Table 6 below compares the total number of individual "locations" in California where any type of broadband from any service provider is available, with the total number of households located in each of the census blocks where any type of broadband is available.[113] Table 7 provides similar data but is limited to the Frontier ILEC service area only. As Table 7 demonstrates, the total number of households far exceeds the total number of individual "locations." Frontier offers some type of broadband at 1,804,500 "locations" within its service area. However, in those same census blocks, there are 3,027,287 households.

98. Table 8 below summarizes the availability of any type and speed of Frontier broadband in each of the 47 counties where any of the three Frontier ILECs provide service. The table provides the total number of census blocks, total population, and total households where Frontier offers any type of service in each county, the number of census blocks, population and households where any type of Frontier broadband (which includes copper-based DSL), is available, and the number of census blocks, population and households where no Frontier broadband of any type is available. As the table shows, Frontier provides service (all types) in 146,546 census blocks having a total population of 9,720,427, and 3,474,139 households. Frontier broadband (any type) is available in 85,261 census blocks with a population of 8 ,479,475 and 3 ,027,287 households. Frontier offers no broadband service at all in 61,285 census blocks, with a population of 1 ,237,456 and 445,182 households. Many of these locations

113. Although I believe that "households" is a better indicator of broadband availability, it is also a less-than-precise measure. For this analysis, I am using the total number of households in each census block where Frontier broadband is available, although it is possible that broadband is available to less than all households in a given census block.

not served by Frontier do have access to fixed wireline broadband from another service provider, most often the cable television company serving their area. Frontier does compete for high-speed broadband access (at 100/20 or more) with the local cable company in 64,934 census blocks with a population of 7.3-million and 2.6-million households. However, where only Frontier or the cable company offer fixed wireline broadband access, customers do not currently have a choice among competing providers.

99. 1 below summarizes the availability of Frontier high-speed FTTP broadband – i.e., *FiOS* – in each of the 47 counties where any of the three Frontier ILECs provide service. As in Table 6, this table also provides the total number of census blocks, total population, and total households being served by Frontier in each county, the number of census blocks, population and households where Frontier FTTP broadband is available, and the number of census blocks, population and households where no Frontier FTTP broadband is available. As the table shows, and despite its extensive expansion of FTTP availability since emerging from bankruptcy in 2021, Frontier FTTP broadband is available in only 66,993 census blocks with a population of 7,399,737 and 2,580,364 households. There still is no Frontier FTTP broadband service at all in 79,587 census blocks, with a population of 2,317,194 and 892,105 households.

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Table 6

**COMPARISON OF BROADBAND AVAILABILITY
HOUSEHOLDS VS. BDC "LOCATIONS"
STATE OF CALIFORNIA -- ALL SERVICE PROVIDERS**

	TOTAL STATE			AREAS WITH BROADBAND AVAILABILITY			
County	Census Blocks	Population	Households	Census Blocks	Population	Households	BDC "Locations"
Alameda	18,475	1,682,353	621,958	13,513	1,655,568	617,753	389,879
Alpine	202	1,204	1,540	59	860	1,316	738
Amador	1,181	40,474	18,805	786	37,113	17,366	15,258
Butte	4,933	211,632	90,133	2,810	190,505	80,965	64,051
Calaveras	1,863	45,292	27,422	1,059	40,167	24,726	22,939
Colusa	1,612	21,839	8,099	630	18,275	6,502	4,455
Contra Costa	11,772	1,165,927	423,342	9,928	1,160,734	422,236	333,689
Del Norte	1,387	27,743	11,090	611	27,289	10,888	9,994
El Dorado	4,480	191,185	93,467	2,722	163,440	80,334	63,754
Fresno	16,854	1,008,654	338,441	12,546	975,137	330,110	269,428
Glenn	1,768	28,917	10,895	680	23,268	8,649	7,392
Humboldt	7,138	136,463	62,120	3,001	119,304	54,320	42,414
Imperial	6,570	179,702	56,625	2,582	166,176	53,846	42,947
Inyo	2,448	19,016	9,469	493	17,302	8,429	7,172
Kern	21,365	909,235	301,009	11,576	868,149	293,056	258,989
Kings	3,788	152,486	46,287	2,006	131,929	41,693	35,731
Lake	2,905	68,163	34,220	1,649	63,833	32,099	29,455
Lassen	2,584	32,730	12,216	539	18,572	8,961	6,890
Los Angeles	91,626	10,014,009	3,591,981	77,071	9,920,060	3,578,542	2,040,275
Madera	3,863	156,255	49,572	2,223	139,092	46,050	44,303
Marin	3,264	262,321	111,564	2,457	258,750	109,846	85,584
Mariposa	1,103	17,131	9,760	359	13,922	7,728	6,040
Mendocino	4,249	91,601	41,370	1,658	74,984	34,014	25,729
Merced	5,560	281,202	87,783	3,289	260,657	82,208	72,850
Modoc	2,715	8,700	4,752	554	5,724	2,997	2,644
Mono	1,402	13,195	13,589	407	12,477	12,831	6,565
Monterey	7,079	439,035	143,631	4,305	417,129	138,093	103,600
Napa	2,031	138,019	55,448	1,552	132,730	53,608	42,342
Nevada	2,833	102,241	53,627	1,536	91,107	48,757	39,527
Orange	26,734	3,186,989	1,129,785	21,235	3,152,157	1,124,124	719,670
Placer	6,505	404,739	172,356	4,973	390,262	166,610	146,392
Plumas	2,188	19,790	15,396	471	13,951	10,616	4,592
Riverside	29,144	2,418,185	848,549	23,661	2,385,357	839,715	728,697
Sacramento	18,522	1,585,055	587,551	16,506	1,572,321	584,489	463,843
San Benito	1,396	64,209	20,365	745	58,638	18,569	16,840
San Bernardino	35,839	2,181,654	731,899	24,918	2,130,716	719,495	611,441
San Diego	28,633	3,298,634	1,228,505	22,923	3,180,624	1,206,965	754,118
San Francisco	5,986	873,965	406,628	5,409	869,355	405,435	148,980
San Joaquin	11,253	779,233	251,453	8,293	750,546	244,304	210,135
San Luis Obispo	8,136	282,424	123,715	4,853	251,942	115,571	92,657
San Mateo	8,032	764,442	283,693	6,696	761,131	282,440	187,853
Santa Barbara	7,258	448,229	158,279	5,061	433,277	155,127	111,589
Santa Clara	18,178	1,936,259	688,035	15,061	1,898,207	679,731	442,848
Santa Cruz	3,570	270,861	106,345	2,893	258,196	104,730	75,849
Shasta	6,403	182,155	79,380	2,553	163,245	70,574	56,820
Sierra	901	3,236	2,127	79	1,072	861	541
Siskiyou	5,718	44,076	22,929	1,954	39,030	20,329	18,680
Solano	6,909	453,491	162,237	4,771	441,201	159,202	133,308
Sonoma	7,563	488,863	204,742	5,745	477,395	200,732	160,529
Stanislaus	7,956	552,878	183,140	6,198	533,447	176,664	151,248
Sutter	2,257	99,633	34,499	1,315	95,260	32,870	27,765
Tehama	3,207	65,829	27,341	1,236	48,630	20,118	16,072
Trinity	1,702	16,112	8,183	287	10,064	4,919	3,343
Tulare	10,474	473,117	150,652	6,810	446,299	141,708	123,444
Tuolumne	2,795	55,620	31,415	1,223	46,048	27,138	21,718
Ventura	10,479	843,843	293,080	7,878	833,353	289,975	224,312
Yolo	3,066	216,403	80,188	2,054	200,392	76,106	56,164
Yuba	1,869	81,575	29,458	944	67,686	23,189	20,453
TOTAL	**519,723**	**39,538,223**	**14,392,140**	**369,346**	**38,514,055**	**14,110,229**	**9,804,535**

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Table 7

FRONTIER CALIFORNIA ILECs
BROADBAND LOCATIONS (ALL SPEEDS AND TECHNOLOGIES)
AS IDENTIFIED IN FCC BROADBAND DATA COLLECTION

		FRONTIER SERVICE AREA - ALL BROADBAND			FRONTIER LOCATIONS SERVED		
County	Census Blocks in Frontier Service Area	Census Blocks with Frontier Broadband Availability	Population in Census Blocks with Frontier Broadband Availability	Households in Census Blocks with Frontier Broadband Availability	Locations with Frontier Broadband Availability	Locations with Frontier Copper Availability	Locations with Frontier Fiber Availability
	FCC BDC/DR 1.35	(All Speeds)	Census 2020	Census 2020	(All Speeds)	(All Speeds)	(All Speeds)
Alameda	**22**	-	-	-	-	-	-
Alpine	**141**	**31**	621	428	255	255	-
Calaveras	**15**	**3**	78	36	8	8	-
Colusa	**1,453**	**391**	12,913	4,519	1,213	912	302
Del Norte	**1,290**	**392**	17,008	7,474	3,158	2,212	1,071
Fresno	**2,612**	**1420**	80,496	25,965	15,475	11,046	4,828
Glenn	**2**	-	-	-	-	-	-
Humboldt	**1,521**	**119**	2,766	1,426	1,014	1,014	-
Imperial	**1,018**	**285**	4,734	2,074	1,251	632	619
Inyo	**1,662**	**426**	14,659	7,271	3,517	2,124	1,628
Kern	**6,860**	**1569**	71,720	26,641	19,003	2,324	16,974
Kings	**621**	**265**	13,071	3,176	1,658	176	1,491
Lake	**1**	-	-	-	-	-	-
Lassen	**2,405**	**403**	14,201	6,907	3,197	3,197	-
Los Angeles	**36,452**	**27749**	3,405,985	1,200,394	656,819	20,750	640,464
Madera	**8**	-	-	-	-	-	-
Marin	**325**	**223**	37,984	15,092	8,565	361	8,239
Mendocino	**766**	-	-	-	-	-	-
Merced	**962**	**470**	25,622	7,517	5,084	2,847	2,265
Modoc	**1,188**	**348**	4,828	2,561	1,685	530	1,199
Mono	**1,291**	**357**	11,590	12,336	4,325	4,322	4
Monterey	**147**	**27**	386	193	111	111	-
Nevada	**37**	-	-	-	-	-	-
Orange	**4,925**	**3387**	431,757	168,026	90,009	1,751	88,649
Placer	**273**	-	-	-	-	-	-
Plumas	**788**	**192**	5,435	5,411	2,297	2,148	173
Riverside	**22,155**	**15205**	1,533,091	547,217	411,695	15,852	397,066
Sacramento	**2,935**	**1758**	222,004	72,752	21,982	4,402	17,794
San Bernardino	**29,953**	**18091**	1,473,228	525,117	354,845	24,027	332,415
San Diego	**58**	**15**	959	346	51	49	2
San Joaquin	**1,757**	**1171**	99,144	33,964	17,577	2,601	15,009
San Luis Obispo	**465**	**118**	5,889	2,650	1,805	396	1,413
Santa Barbara	**6,917**	**3660**	337,414	120,975	48,523	5,693	43,487
Santa Clara	**2,332**	**1320**	128,820	44,696	20,308	3,321	17,225
Santa Cruz	**120**	**76**	5,758	2,509	1,217	441	860
Shasta	**1,979**	**317**	13,572	6,695	3,721	3,700	21
Siskiyou	**712**	**69**	983	734	595	595	-
Solano	**516**	**179**	7,146	3,820	1,442	339	1,138
Sonoma	**313**	**49**	1,446	1,756	640	640	-
Stanislaus	**615**	**258**	20,714	6,114	2,307	1,042	1,292
Sutter	**156**	-	-	-	-	-	-
Tehama	**402**	**13**	107	274	176	176	-
Trinity	**824**	**178**	8,576	3,761	1,376	1,376	-
Tulare	**1,600**	**955**	44,776	14,578	9,507	6,385	3,655
Tuolumne	**167**	**66**	2,728	1,258	306	306	-
Ventura	**5,564**	**3662**	416,205	140,072	87,507	1,894	85,828
Yolo	**221**	**44**	1,061	552	276	276	-
Total	**146,546**	**85,261**	**8,479,475**	**3,027,287**	**1,804,500**	**130,231**	**1,685,111**

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Table 8

**FRONTIER CALIFORNIA ILECs
SERVICE AREA POPULATIONS AND HOUSEHOLDS
WITH AND WITHOUT FRONTIER BROADBAND**

	TOTAL FRONTIER SERVICE AREA			WITH FRONTER BROADBAND - ANY SPEED			WITH NO FRONTER BROADBAND		
County	Census Blocks (1)	Population	Households	Census Blocks (2)	Population	Households	Census Blocks (2)	Population	Households
Alameda	22	79	47	-	-	-	22	79	47
Alpine	141	956	619	31	621	428	110	335	191
Calaveras	15	267	87	3	78	36	12	189	51
Colusa	1,453	21,301	7,682	391	12,913	4,519	1,062	8,388	3,163
Del Norte	1,290	27,615	11,039	392	17,008	7,474	898	10,607	3,565
Fresno	2,612	92,216	29,312	1,420	80,496	25,965	1,192	11,720	3,347
Glenn	2	13	5	-	-	-	2	13	5
Humboldt	1,521	15,633	7,968	119	2,766	1,426	1,402	12,867	6,542
Imperial	1,018	7,056	2,901	285	4,734	2,074	733	2,322	827
Inyo	1,662	18,093	8,930	426	14,659	7,271	1,236	3,434	1,659
Kern	6,860	109,994	45,034	1,569	71,720	26,641	5,291	38,274	18,393
Kings	621	23,080	4,502	265	13,071	3,176	356	10,009	1,326
Lake	1	-	-	-	-	-	1	-	-
Lassen	2,405	32,626	12,149	403	14,201	6,907	2,002	18,425	5,242
Los Angeles	36,452	3,711,894	1,297,533	27,749	3,405,985	1,200,394	8,703	305,909	97,139
Madera	8	-	-	-	-	-	8	-	-
Marin	325	42,719	16,897	223	37,984	15,092	102	4,735	1,805
Mendocino	766	7,604	3,583	-	-	-	766	7,604	3,583
Merced	962	30,195	8,909	470	25,622	7,517	492	4,573	1,392
Modoc	1,188	6,955	3,792	348	4,828	2,561	840	2,127	1,231
Mono	1,291	13,166	13,572	357	11,590	12,336	934	1,576	1,236
Monterey	147	589	272	27	386	193	120	203	79
Nevada	37	2,350	1,132	-	-	-	37	2,350	1,132
Orange	4,925	502,714	194,572	3,387	431,757	168,026	1,538	70,957	26,546
Placer	273	9,276	4,011	-	-	-	273	9,276	4,011
Plumas	788	6,450	6,442	192	5,435	5,411	596	1,015	1,031
Riverside	22,155	1,680,495	624,077	15,205	1,533,091	547,217	6,950	147,404	76,860
Sacramento	2,935	290,330	92,714	1,758	222,004	72,752	1,177	68,326	19,962
San Bernardino	29,953	1,689,233	594,415	18,091	1,473,228	525,117	11,862	216,005	69,298
San Diego	58	1,457	598	15	959	346	43	498	252
San Joaquin	1,757	122,252	41,101	1,171	99,144	33,964	586	23,108	7,137
San Luis Obispo	465	9,977	4,190	118	5,889	2,650	347	4,088	1,540
Santa Barbara	6,917	443,417	156,902	3,660	337,414	120,975	3,257	106,003	35,927
Santa Clara	2,332	160,451	54,785	1,320	128,820	44,696	1,012	31,631	10,089
Santa Cruz	120	6,235	2,693	76	5,758	2,509	44	477	184
Shasta	1,979	25,004	12,199	317	13,572	6,695	1,662	11,432	5,504
Siskiyou	712	1,279	1,103	69	983	734	643	296	369
Solano	516	10,648	5,448	179	7,146	3,820	337	3,502	1,628
Sonoma	313	5,438	4,620	49	1,446	1,756	264	3,992	2,864
Stanislaus	615	30,278	8,806	258	20,714	6,114	357	9,564	2,692
Sutter	156	750	267	-	-	-	156	750	267
Tehama	402	958	829	13	107	274	389	851	555
Trinity	824	13,901	6,586	178	8,576	3,761	646	5,325	2,825
Tulare	1,600	48,397	16,283	955	44,776	14,578	645	3,621	1,705
Tuolumne	167	5,422	2,489	66	2,728	1,258	101	2,694	1,231
Ventura	5,564	487,908	161,516	3,662	416,205	140,072	1,902	71,703	21,444
Yolo	221	3,756	1,528	44	1,061	552	177	2,695	976
Total	**146,546**	**9,720,427**	**3,474,139**	**85,261**	**8,479,475**	**3,027,287**	**61,285**	**1,240,952**	**446,852**

NOTES:
(1) Census blocks in entire Frontier ILEC service area per Frontier Revised Response to Cal Advocates Data Request 1.35, plus additional census blocks included in FCC BDC June 2024 database that were not included in DR 1.35 Response.
(2) All census blocks with Frontier broadband-any speed availability as provided in FCC June 2024 BDC database.

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Table 9

**FRONTIER CALIFORNIA ILECs
SERVICE AREA POPULATIONS AND HOUSEHOLDS
WITH AND WITHOUT FRONTIER FTTP BROADBAND**

	TOTAL FRONTIER SERVICE AREA			WITH FRONTER FTTP BROADBAND			WITH NO FRONTER FTTP BROADBAND		
County	Census Blocks (1)	Population	Households	Census Blocks (2)	Population	Households	Census Blocks (2)	Population	Households
Alameda	22	79	47	-	-	-	22	79	47
Alpine	141	956	619	-	-	-	141	956	619
Calaveras	15	267	87	-	-	-	15	267	87
Colusa	1,453	21,301	7,682	20	1,812	582	1,433	19,489	7,100
Del Norte	1,290	27,615	11,039	160	5,203	2,350	1,130	22,412	8,689
Fresno	2,612	92,216	29,312	330	22,777	6,916	2,282	69,439	22,396
Glenn	2	13	5	-	-	-	2	13	5
Humboldt	1,521	15,633	7,968	-	-	-	1,521	15,633	7,968
Imperial	1,018	7,056	2,901	62	1,768	756	956	5,288	2,145
Inyo	1,662	18,093	8,930	123	6,380	3,062	1,539	11,713	5,868
Kern	6,860	109,994	45,034	1,117	57,938	20,923	5,743	52,056	24,111
Kings	621	23,080	4,502	214	7,279	2,346	407	15,801	2,156
Lake	1	-	-	-	-	-	1	-	-
Lassen	2,405	32,626	12,149	-	-	-	2,405	32,626	12,149
Los Angeles	36,452	3,711,894	1,297,533	25,501	3,178,952	1,101,291	10,951	532,942	196,242
Madera	8	-	-	-	-	-	8	-	-
Marin	325	42,719	16,897	197	36,966	14,768	128	5,753	2,129
Mendocino	766	7,604	3,583	-	-	-	766	7,604	3,583
Merced	962	30,195	8,909	168	11,260	3,265	794	18,935	5,644
Modoc	1,188	6,955	3,792	208	3,070	1,543	980	3,885	2,249
Mono	1,291	13,166	13,572	3	162	122	1,288	13,004	13,450
Monterey	147	589	272	-	-	-	147	589	272
Nevada	37	2,350	1,132	-	-	-	37	2,350	1,132
Orange	4,925	502,714	194,572	3,229	414,194	160,260	1,696	88,520	34,312
Placer	273	9,276	4,011	-	-	-	273	9,276	4,011
Plumas	788	6,450	6,442	31	1,043	640	757	5,407	5,802
Riverside	22,155	1,680,495	624,077	13,014	1,416,689	493,866	9,141	263,806	130,211
Sacramento	2,935	290,330	92,714	688	73,850	22,561	2,247	216,480	70,153
San Bernardino	29,953	1,689,233	594,415	13,908	1,350,378	469,127	16,045	338,855	125,288
San Diego	58	1,457	598	2	47	17	56	1,410	581
San Joaquin	1,757	122,252	41,101	626	62,427	20,568	1,131	59,825	20,533
San Luis Obispo	465	9,977	4,190	41	2,826	1,466	424	7,151	2,724
Santa Barbara	6,917	443,417	156,902	2,720	247,179	85,205	4,197	196,238	71,697
Santa Clara	2,332	160,451	54,785	822	82,076	28,121	1,510	78,375	26,664
Santa Cruz	120	6,235	2,693	48	4,078	1,806	72	2,157	887
Shasta	1,979	25,004	12,199	2	206	90	1,977	24,798	12,109
Siskiyou	712	1,279	1,103	-	-	-	712	1,279	1,103
Solano	516	10,648	5,448	82	3,215	1,546	434	7,433	3,902
Sonoma	313	5,438	4,620	-	-	-	313	5,438	4,620
Stanislaus	615	30,278	8,806	87	6,361	2,124	528	23,917	6,682
Sutter	156	750	267	-	-	-	156	750	267
Tehama	402	958	829	-	-	-	402	958	829
Trinity	824	13,901	6,586	-	-	-	824	13,901	6,586
Tulare	1,600	48,397	16,283	310	17,243	5,342	1,290	31,154	10,941
Tuolumne	167	5,422	2,489	-	-	-	167	5,422	2,489
Ventura	5,564	487,908	161,516	3,306	387,116	130,760	2,258	100,792	30,756
Yolo	221	3,756	1,528	-	-	-	221	3,756	1,528
Total	**146,546**	**9,720,427**	**3,474,139**	**67,019**	**7,402,495**	**2,581,423**	**79,527**	**2,317,932**	**892,716**

NOTES:
(1) Census blocks in entire Frontier ILEC service area per Frontier Revised Response to Cal Advocates Data Request 1.35, plus additional census blocks included in FCC BDC June 2024 database that were not included in DR 1.35 Response.
(2) All census blocks with Frontier FTTP broadband availability as provided in FCC June 2024 BDC database.

100. ETI has also prepared a set of seven maps at the full state level, which are provided below as Figures 10 through 16. As Figure 16 – the full state map of areas (in orange) where Frontier *does not* currently provide any FTTP broadband services – shows, it is clear that the bulk of Frontier's FTTP rollout has been in southern California – in the Counties of Los Angeles, Ventura, Orange, the western portion of Riverside, the southwestern portion of San Bernardino, and the coastal portion of Santa Barbara. Frontier has also built out FTTP in other parts of the state, but a very large part of Frontier's footprint is still not being served by FTTP.

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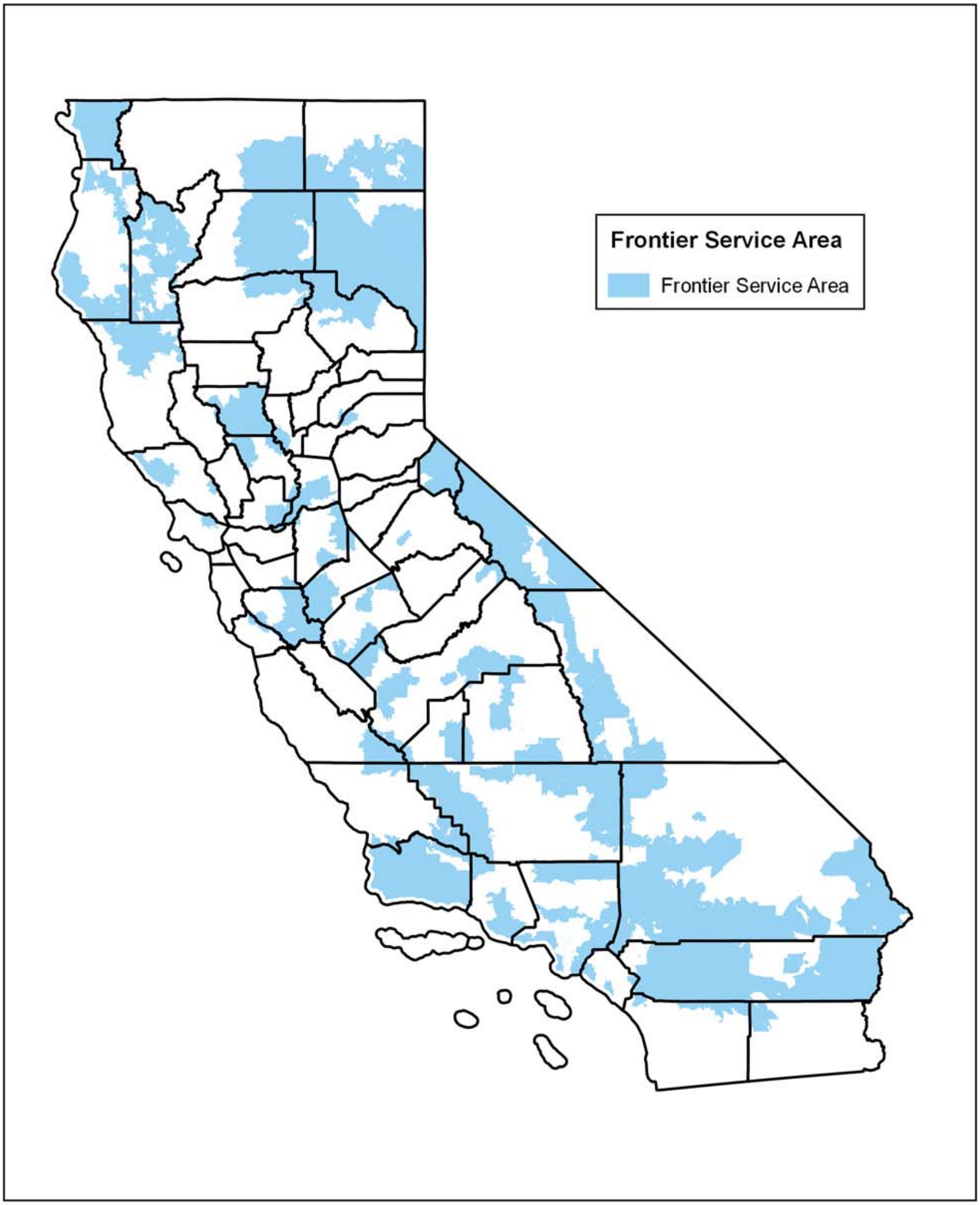

Figure 10. Map 1: California, areas served by one of the three Frontier ILECs.

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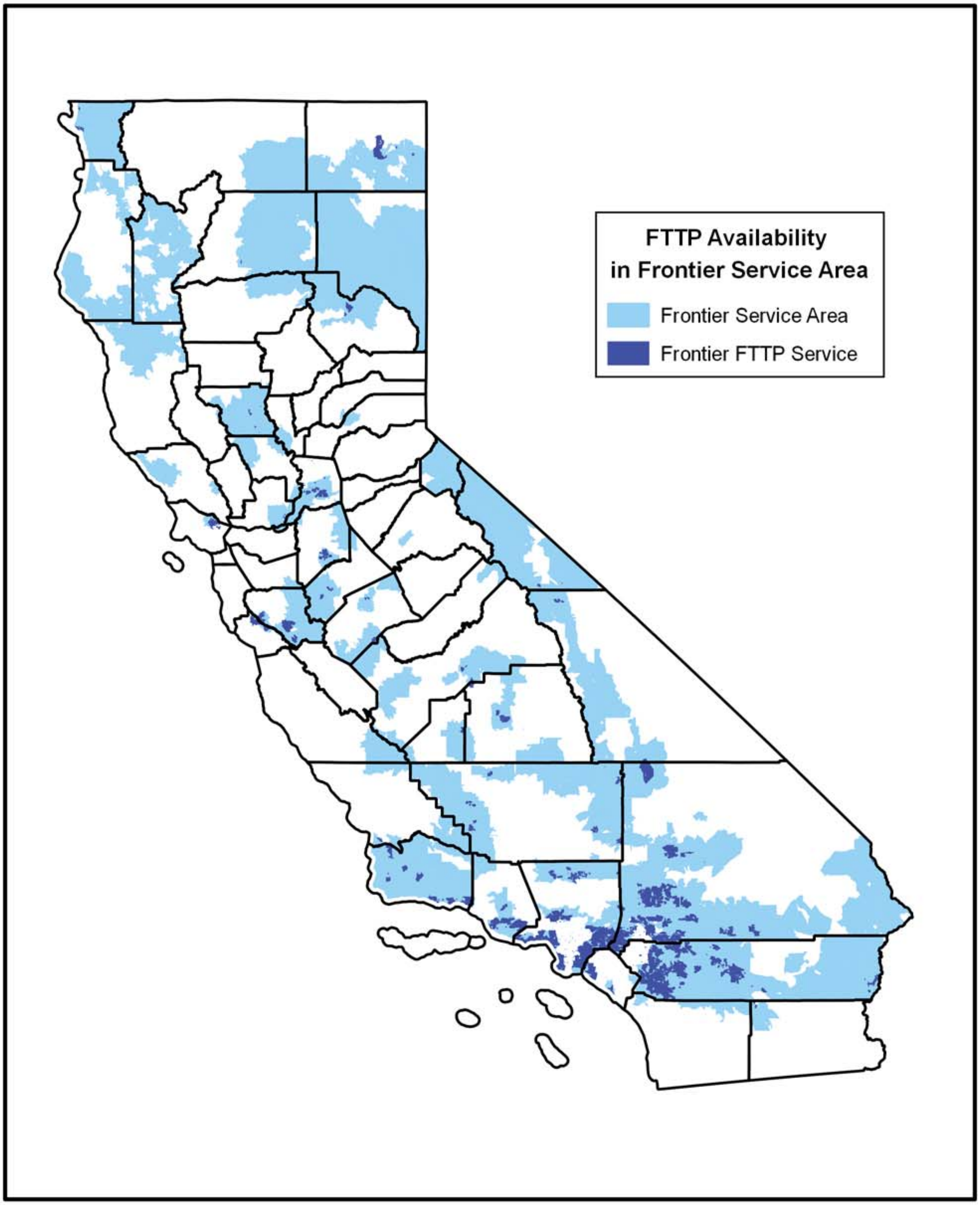

Figure 11. Map 2: California, areas within the Frontier service area where Fiber-to-the-Premises ("FTTP") has been deployed.

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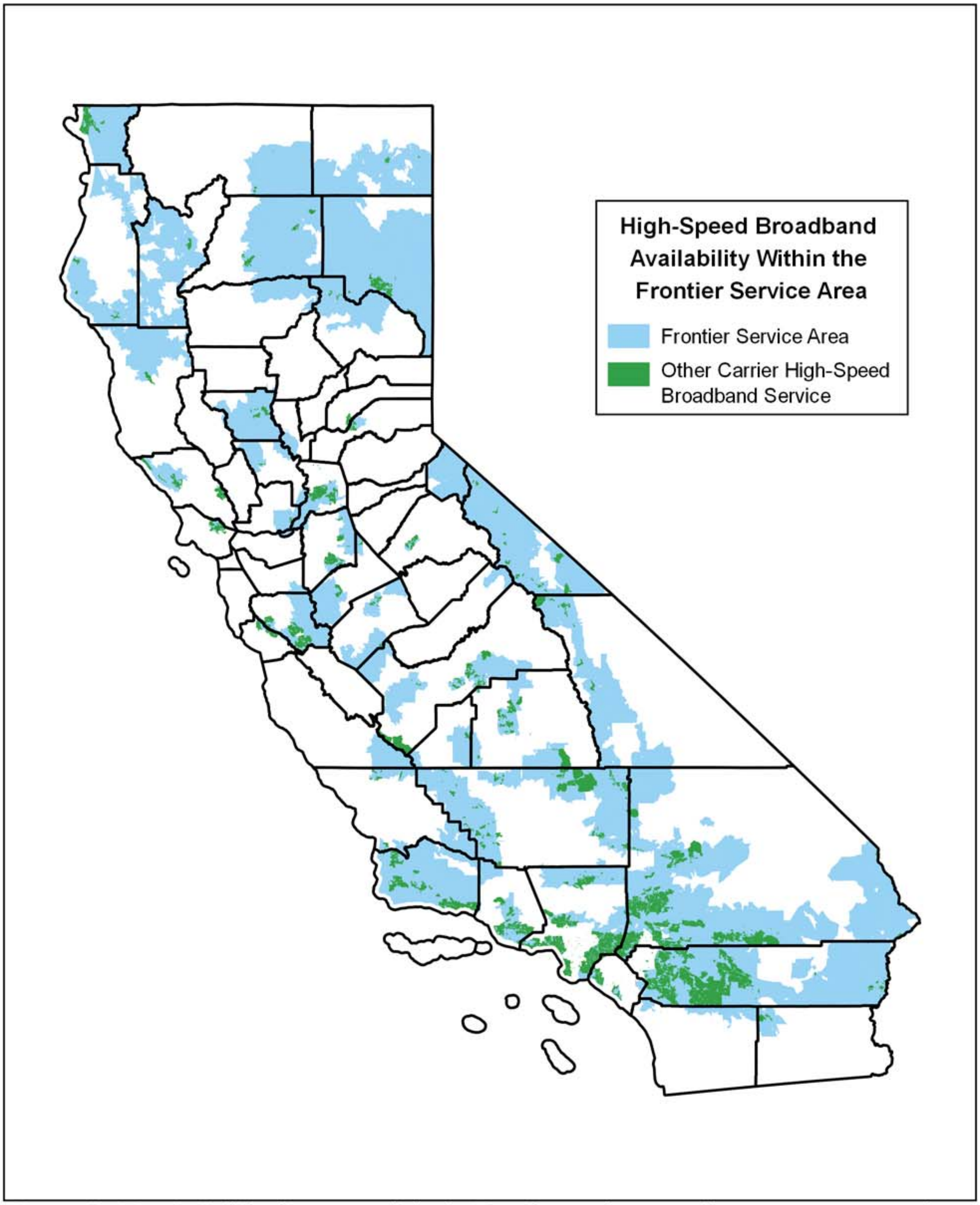

Figure 12. Map 3: California, areas within the Frontier service area where one or more service providers other than Frontier offers high-speed wireline broadband service, defined as providing an advertised downlink speed of at least 100 mbps.

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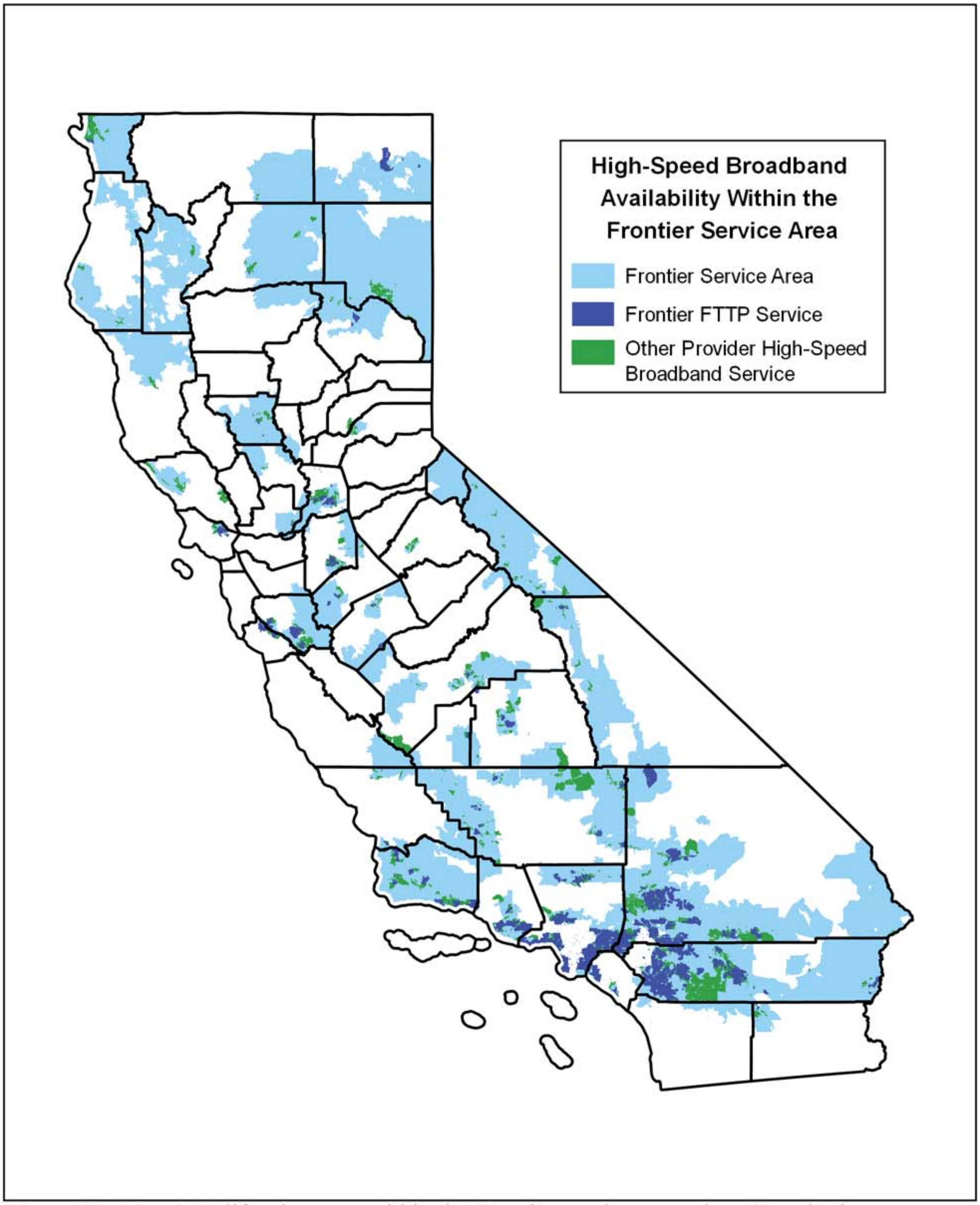

Figure 13. Map 4: California, areas within the Frontier service area where Frontier has not deployed fiber, but where one or more other service providers offers high-speed wireline broadband service.

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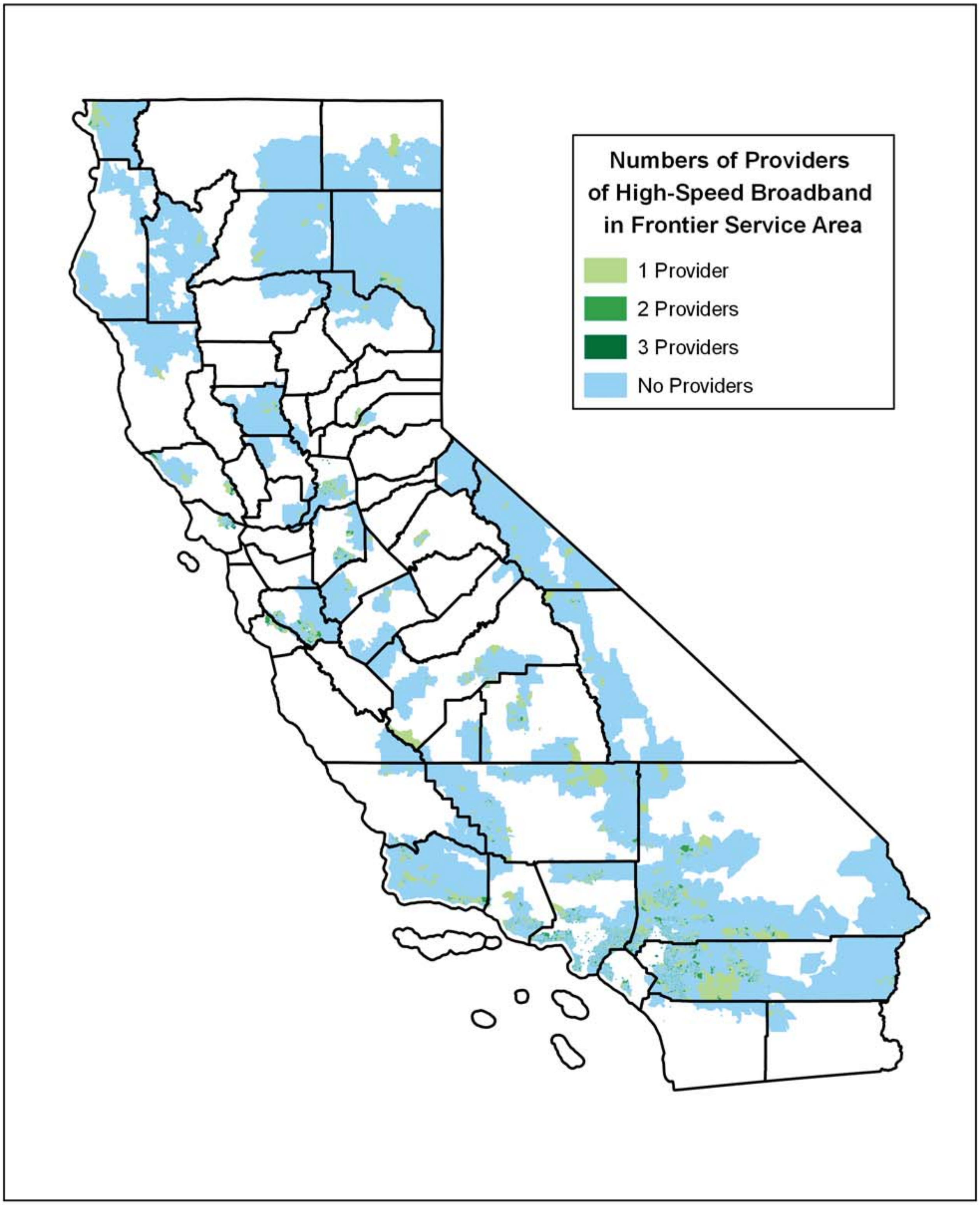

Figure 14. Map 5: California, Number of competitors (including Frontier) offering high-speed wireline broadband service using any technology, defined as providing an advertised downlink speed of at least 100 mbps.

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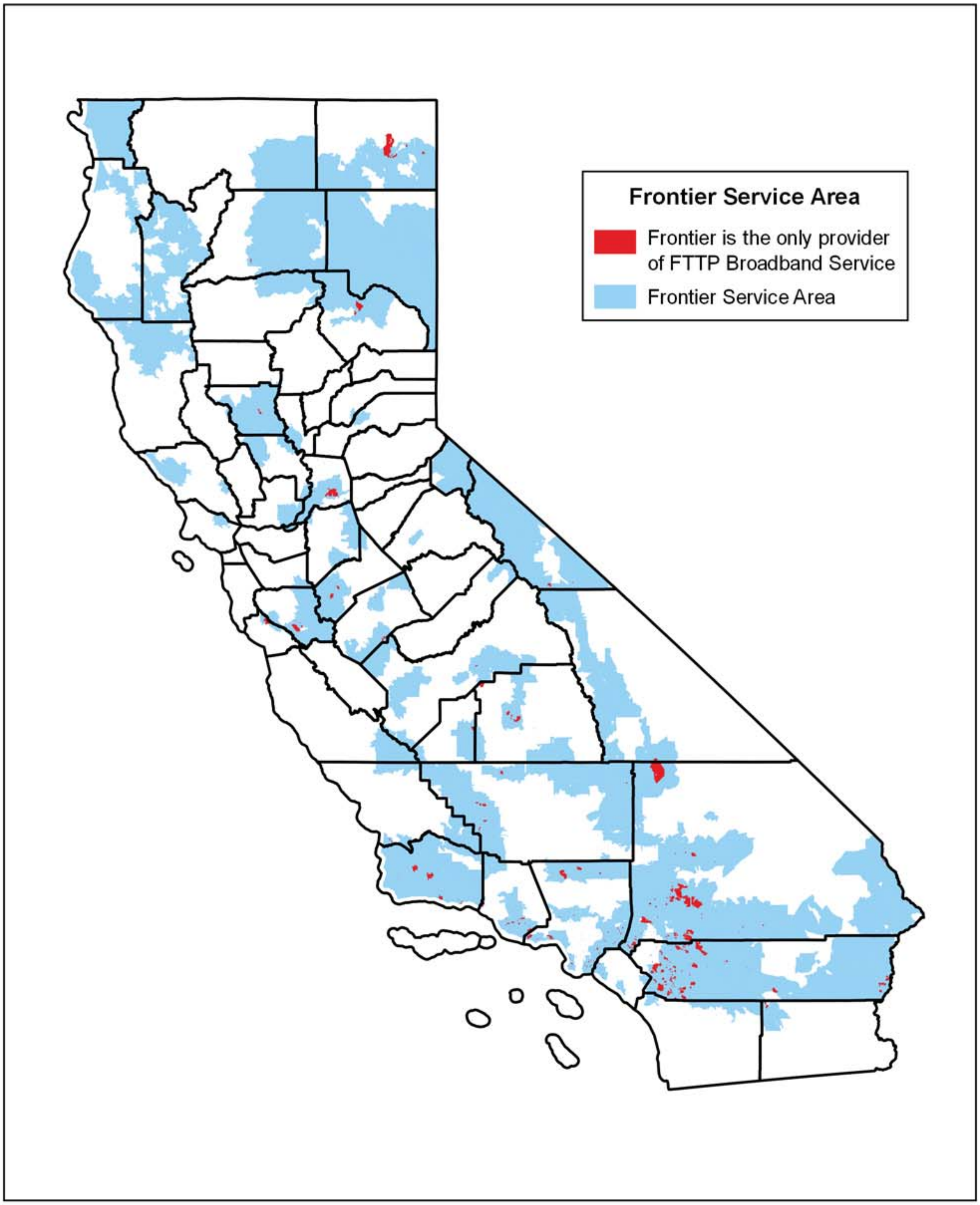

Figure 15. Map 6: California, locations where Frontier is the only provider of FTTP broadband service.

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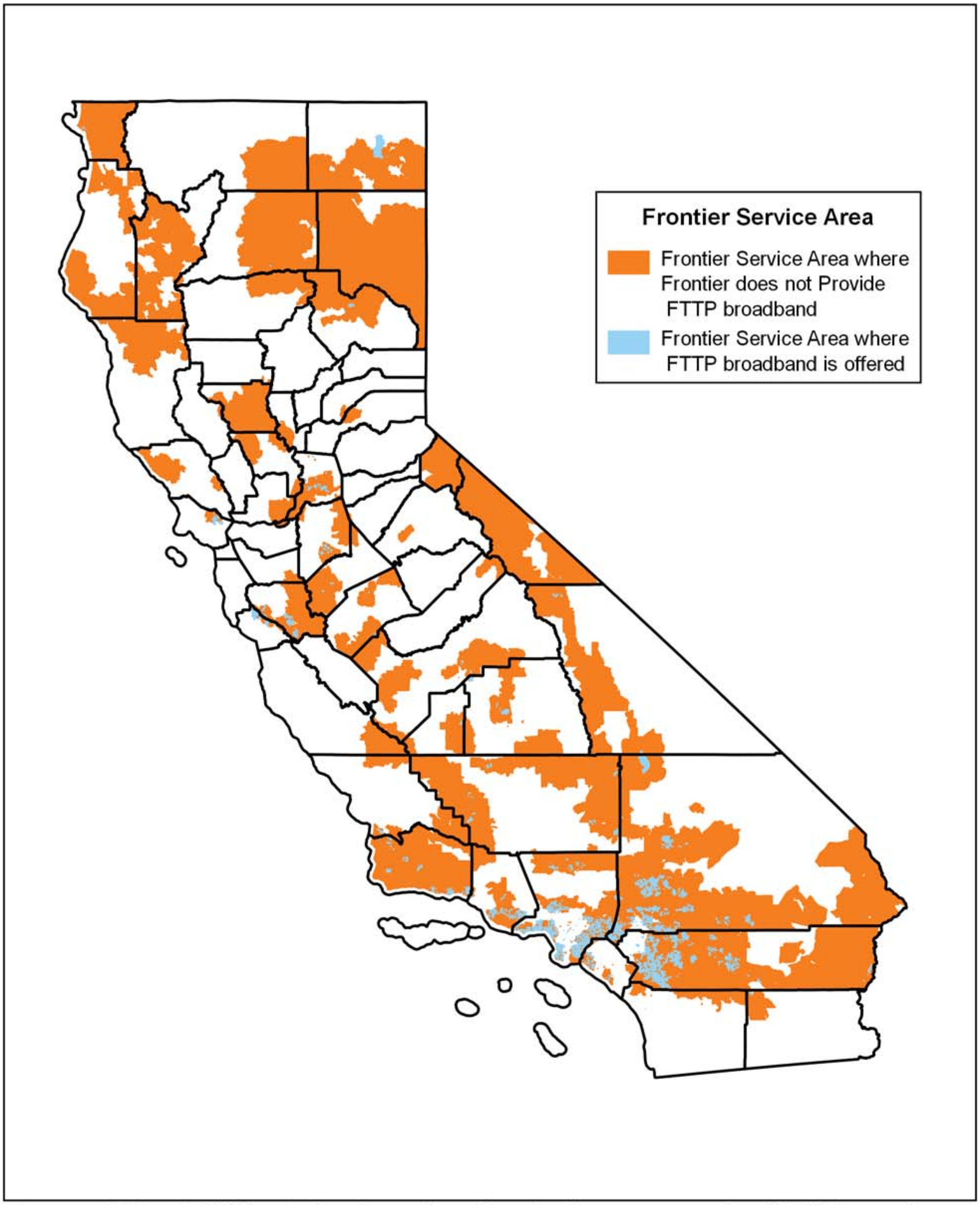

Figure 16. Map 7: California, locations where Frontier does not currently offer high-speed FTTP broadband service.

4. Impact of the proposed acquisition on competition for broadband telecommunications services

PU Code § 854(b)(3) requires the Commission to find that the proposed transaction will not adversely affect competition.

101. The Commission is required, pursuant to PU Code § 854(b)(3), to find that the proposed transaction will not adversely affect competition for telecommunications services. In making this assessment, there are at least two aspects of the merger of Frontier into Verizon that should be examined:

(1) *Vertical integration*. Frontier is a supplier of wholesale backhaul and transport services over its extensive fiber optic network to facilities-based CMRS wireless carriers, including Verizon Wireless. The vertical integration of Frontier and Verizon thus has the potential to have an adverse effect upon the wholesale telecommunications transport market that may result in increased prices and other adverse effects upon non-affiliated purchasers of these wholesale services.

(2) *Elimination of a competitor in the relevant product market.* While wireline broadband and fixed wireless broadband access ("FWA") are in no sense perfect substitutes, they do exhibit some degree of cross-elasticity, competing with one another to the extent that where both are available, customers are able to choose between them based upon the differential in their prices vs. the differences in features and service quality. Verizon is already providing FWA within a substantial portion of Frontier's California service areas, and thus competes directly with Frontier's fixed wireline broadband access services. If

Frontier and Verizon were to merge as the Joint Applicants propose, Verizon would be competing with itself in the provision of these two types of broadband services within the same relevant geographic market. That, together with the potential cost benefits that Verizon Wireless would realize as a result of its advantageous access to (what would then be) Verizon's wholesale backhaul and transport services arising from the vertical integration, it may become increasingly difficult for non-affiliated providers of FWA to be successful in the same geographic area.

Vertical integration

While the Joint Applicants seek to portray the proposed transaction as primarily horizontal in nature, it presents important vertical opportunities for Verizon, benefitting its wireless products, potentially at the expense of future fiber rollouts in the areas frequently left behind in investment planning.

102. The various ILEC, cable and wireless mergers that have come before the CPUC in recent years were all primarily *horizontal* in nature. They typically (but not always) involved firms each pursuing similar business models, each owning extensive underlying facilities. Some of these transactions involved firms with non-overlapping geographic service areas, such as the Pacific Telesis/SBC, Bell Atlantic/GTE, and Charter/Time Warner Cable/Bright House mergers. In other cases, such as Verizon/MCI, AT&T/SBC, Sprint/T-Mobile and Verizon/TracFone), the merging parties were competing directly against each other across broad geographic areas and market segments. These types of horizontal mergers typically involved the elimination of a competitor and the consequent increase in market concentration and market power for the surviving firm.

103. As to their respective ILEC and wireline broadband offerings, Verizon and Frontier do not currently compete directly with one another within the same geographic areas, as illustrated in the following diagram from Verizon's September 5, 2024 SEC Form 8-K filing (Exhibit 99.2).

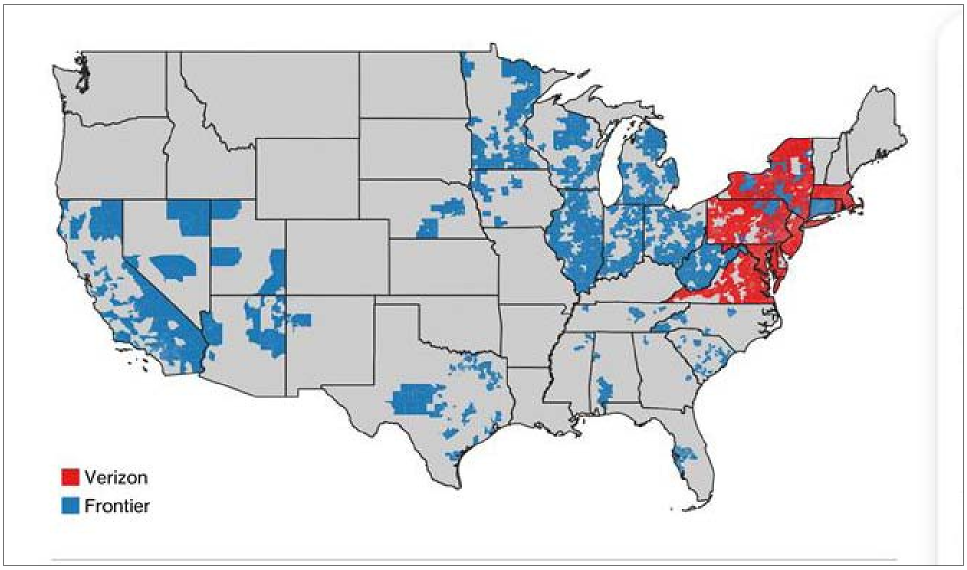

Figure 17. Frontier and Verizon ILEC service areas.

However, it would be a gross oversimplification to ignore the vertical elements of this proposed transaction or view it as not affecting Verizon's post-acquisition market power within the now-expanded operating area. Verizon controls a national facilities-based mobile wireless footprint; Frontier does not currently offer any mobile wireless services, even as a reseller. The vertical component of the proposed transaction arises where Verizon's *downstream* wireless operations would gain access to Frontier's *upstream* extensive fiber network for both its backhaul and transport requirements, and potentially to support fixed broadband micro or small cell sites or hotspots. The network serving arrangement for *FiOS* FTTP delivery involves a neighborhood node or "splitter" that serves up to 32 individual customer premises, with individual fiber drops connecting the splitter with each of the premises being served. One approach to FWA would be to locate a wireless micro or small cell at each such splitter, resulting in very short distances between the cell site and the customer. This arrangement has two major benefits – (1) the short wireless distance can support speeds at or above the 100/20 level, and (2) the use of low-power radio transceivers at these micro cell sites enables a significant amount of spectrum re-use, thereby helping to overcome the otherwise limited spectrum capacity of wireless technology. Thus, the presence of FTTP wireline broadband will greatly facilitate the development of FWA in FTTP-served areas.

Vertical integration of an upstream provider (Frontier in this case) and a downstream purchaser (Verizon in this case) gives the upstream provider an incentive to raise the wholesale prices that it charges to non-affiliated downstream rivals.

104. The US Department of Justice / Federal Trade Commission *Vertical Merger Guidelines* ("*VMG*") addresses precisely this potential result of a vertical merger, which it defines as a transaction "that combine[s] firms or assets at different stages of the same supply chain,"[114] The terms "horizontal" and "vertical" are by no means mutually exclusive concepts: A merger can include both horizontal and vertical elements, as is the case here. A vertical merger involving an upstream supplier (i.e., Frontier) and a downstream purchaser (i.e., Verizon) can produce transactional efficiencies for the merging firms, such as those being claimed by the Joint Applicants here, but it can also disrupt competition in both the upstream and downstream markets. If the downstream firm (i.e., Verizon) gains a significant cost advantage *vis-à-vis* its rivals in the same downstream retail market (i.e., other facilities-based wireless carriers), those firms' ability to compete will be made more difficult. As the *VMG* notes:

114. *VMG*, at 1.

> The price that a downstream firm pays for an input supplied by an independent upstream firm may include a markup over the upstream firm's marginal cost. If a downstream and an upstream firm merge, and the merged firm supplies itself with its own related product, it will have access to the input at cost. ... The likely merger-induced increase or decrease in downstream prices would be determined by considering the impact of both these effects, as well as any other competitive effects.[115]

105. Verizon currently purchases – or perhaps even foregoes purchasing – fiber-based transport and backhaul services from Frontier as inputs to Verizon's wireless business. The prices that Frontier charges Verizon – as well as Verizon's wireless competitors – for these services presumably includes a markup over Frontier's marginal cost. Acquiring Frontier will eliminate that markup and in so doing afford Verizon Wireless a competitive advantage over its CMRS rivals within those areas where Frontier has fiber in place. The strategic benefits (to Verizon's wireless business) arising from the acquisition of Frontier were specifically emphasized by Verizon in its September 5, 2024 SEC filings. There, Verizon has made it clear that it perceives the acquisition of the Frontier wireline footprint with Frontier's extensive fiber network as a means for expanding its wireless offerings into fixed broadband. Verizon Communications Inc;, Executive Vice President and President, Verizon Global Networks and Technology C: Joseph Russo offered the following assessment of the Company's expected gains from the Frontier acquisition:

> So this basically expands the fiber footprint, 7 million on homes, now 10 million by 2026. So basically, by the end of 2026, we will have close to 30 million homes of the best fiber on earth. ... Then on top of that, you complement that with fixed wireless access, 60 million homes will have access to fixed wireless access. The combination of that is we'll be able to bring high-quality broadband to a large portion of America.

115. *VMG,* at 5.

> Then on top of that, you overlay our mobility network, we are the number one mobility network. And when you combine the two things, you get incredible value both for customers and for us. To give you a sense, when you bring wireless and fiber together, we see a 50% reduction in mobility churn. And then we also see a 40% reduction in fiber churn as well that comes with it. So incredibly strong value in this. ... And what we see is a 400 to 500 basis point higher wireless share in markets where we have fiber. So once we close on the transaction with Frontier and once we integrate, we'll be able to see those levels of share gain in the Frontier markets as well.[116]

Mr. Russo's enumeration of the potential benefits of the Transaction *to Verizon* underscores the fact that this is a vertical merger, and that vertical mergers of this type are not innocuous. The inverse of that "400 to 500 basis point higher wireless share" for Verizon is a "400 to 500 basis point" *lower wireless share* for Verizon's wireless competitors. Thus, through Mr. Russo's statement, Verizon is, in effect, conceding that the acquisition will adversely affect competition.

106. The *VMG* also notes that the vertical integration of an upstream provider (Frontier in this case) and a downstream purchaser (Verizon in this case) also gives the upstream provider an incentive to raise its own *wholesale* prices that it charges to non-affiliated downstream rivals: "The merged firm may foreclose its rivals or raise their costs by changing the terms offered for the related product ..."[117]

107. Currently, where Verizon provides mobile or other wireless services outside of its own ILEC footprint – such as in California – it is required to purchase these services from Frontier or other wireline carriers. Within its California operating areas, Frontier's principal broadband

116. Verizon 9/5/24 Form 8-K, Ex. 99.3

117. *Id.*

competitors are multi-system cable television operators (MSOs), mainly Charter (Spectrum) and Comcast (Xfinity), which have themselves for several years been pursuing entry into mobile wireless services through a combination of their own wi-fi routers located on their customers' premises and through resale of mobile carrier services as MVNOs. Mobile carriers have been worming their way into the home broadband market through fixed wireless access (FWA) offerings that are marketed in packages that may include both the fixed and mobile wireless services. The potential impact of Verizon's strategy upon Frontier customers may be more nuanced. When Frontier acquired Verizon's California ILECs in 2016, Verizon's *FiOS* footprint passed roughly **<<BEGIN FRONTIER CONFIDENTIAL>>** **<<END FRONTIER CONFIDENTIAL>>** homes.[118] However, as I showed in Table 6 and Figure 16 above, there are still many customers in the Frontier California service area that do not currently have access to high-speed (i.e., at least 100 mbps in the downstream direction) broadband from Frontier. As I noted above, taken over all three of Frontier's California ILECs, more than **<<BEGIN FRONTIER CONFIDENTIAL>>** , representing nearly **<<END FRONTIER CONFIDENTIAL>>** of all residential locations passed, and more than **<<BEGIN FRONTIER CONFIDENTIAL>>** % **<<END FRONTIER CONFIDENTIAL>>** of all nonresidential locations passed, do not have FTTP-based broadband service at this time (see Table 3 above).

118. Frontier advises that it does have this specific information. Frontier Response to Cal Advocates Data Request 4.4 [Cal Advocates Exhibit A-6],. *See also*, Frontier Response to Cal Advocates Data Request 4.6 [Cal Advocates Exhibit A-7],, referencing its Confidential Responses to Cal Advocates Data Requests 1.39 and 3.20. This is an estimate developed by subtracting the number of FTTP locations added post-bankruptcy through March 1, 2024 (Confidential Response to Cal Advocates DR 3.20 [Cal Advocates Exhibit A-5]) from the total number of FTTP locations passed as of December 31, 2023 (Confidential Response to Cal Advocates DR 1.39).

108. Fixed wireless is an emerging alternative to wireline broadband, but does not offer the same service quality and consistent speed as a fiber- or cable-based delivery platform. For example, in Verizon's January 27, 2025 opening testimony, Paul Vasington notes that:

> Fiber can deliver top-end speeds that FWA is unlikely to reach, and does not face the variabilities that fixed wireless service do. For example, wireless airwaves are less efficient at transmitting data than light through glass (fiber) and areal variability impacts radio transmissions far more than fiber, which is a controllable medium. Fixed wireless services can also face capacity constraints since they share a network for mobility, which is not the case with FTTP home broadband.[119]

Dr. Aron appears to agree that fixed wireless access is inferior to fiber-based broadband:

> FWA is a differentiated service and not an equivalent service to FTTP, and Verizon describes some of these differences in its panel testimony. In addition to generally offering speeds equal to or lower than the lowest tiers of FTTP, FWA is inherently limited in growth, as it relies (at least as Verizon deploys it) on excess capacity of Verizon's mobile wireless network.[120]

109. Indeed, if fixed wireless broadband access were a realistic alternative to wireline broadband, Verizon Wireless would already be competing in this segment without the need to acquire Frontier's ILECs. It is precisely this inferiority of FWA relative to FTTP that Verizon cites as support for its position that, while Verizon does currently offer FWA in a portion of Frontier's service area, FWA – and Verizon – should not be considered a true competitor of Frontier's FTTP services. Of course, from Verizon's comments cited above, the Company sees substantial synergy in pursuing fiber-based and fixed wireless broadband on an integrated basis, and in bundling these with its mobile wireless services. If the acquisition is allowed to go

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119. Verizon opening testimony, January 27, 2025, at 6-7 (Vasington).

120. Aron, at 25, A22, citations omitted.

forward, Verizon intends to offer customers in the then-former Frontier service area bundles of FTTP broadband and mobile wireless services.

110. In ETI's Phase I Network Exam report, we noted that Frontier – and Verizon before it – had focused the Company's FTTP *FiOS* deployment in wire centers serving areas with the highest populations.[121] In ETI's Phase 2 report, we observed that (as of the end of 2019) communities with larger populations and those with higher median household incomes (MHI) also had the highest levels of *FiOS* availability.[122] Assuming that these conditions still persist within the Frontier California footprint, the potential impact of the acquisition could be quite varied from place to place within the full Frontier service area.

111. Verizon's acquisition of Frontier will enable Verizon Wireless to obtain fiber transport and backhaul facilities within the (then-former) Frontier footprint from within the Company rather than from Frontier or other non-affiliated providers, which amounts to vertical integration of these inputs (fiber transport and backhaul) to Verizon's wireless business. Where Frontier, because it does not currently offer any wireless services, has no competitive incentive to favor one wireless carrier over another with respect to the use of its fiber network, Verizon could, as the *VMG* suggests, gain a competitive advantage in its wireless business by limiting wireless competitors' access to those facilities, or through some type of discriminatory pricing.

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121. Network Exam Phase I Report, at 85, Table 3.6.

122. *Id.*, Network Exam Phase 2 Report, June 2021, at 467-468, Tables 11.4, 11.5.

Dr. Aron attempts to dismiss concerns about Frontier/Verizon vertical integration by suggesting that because carriers routinely purchase wholesale services from, and sell wholesale services to, each other, they collectively operate the wholesale market under what she calls a "co-opetition" model; however, what she is actually describing is cartel-like conduct among large wholesale telecommunications providers.

112. Verizon witness Debra Aron dismisses such possibilities. She cites Cal Advocates' *Protest*, in which Cal Advocates expressed the following concern: "[To the extent that Frontier's wholesale network access customers currently compete with Verizon, the acquisition could impact the ability of those customers to compete after existing agreements expire."[123] Dr. Aron dismisses Cal Advocates' concern. Rather, she fancies some sort of *kumbaya* among the various competing telecommunications providers. According to Dr. Aron, "One reason that companies provide services to their competitors is that they wish to purchase services from their competitors as well, in mutually reliant relationships that discipline any participant's incentives to discriminate against the other. This certainly appears to apply to the observed conduct of communications companies, including Verizon."[124] Dr. Aron advises that "in reality in the communications industry, providers commonly sell wholesale services to each other in a form of interaction known to economists as 'co-opetition.'"[125] She says that "In fact, Verizon itself provides services to numerous communications companies with which it competes, including AT&T Mobility, Comcast, Sprint PCS (now part of T-Mobile), T-Mobile, and cable companies,

123. Aron, at 59, citing Cal Advocates' Protest, at 16.

124. Aron, at 61.

125. *Id.*, at 60.

among others."[126] She notes that Verizon sells its services to competitors, and buys substantial amounts of services from competitors.

113. If the picture that Dr. Aron paints as to how the wholesale telecommunications market operates, with each of the major players buying services from and selling services to their rivals under some tacit (if not overt) understanding as to how each participant is to be treated with respect to each such transaction – what she euphemistically calls "mutually reliant relationships that discipline any participant's incentives to discriminate against the other" – is accurate, then what she is actually describing is *cartel-like conduct* within a cartel consisting of all of the carriers that participate in Dr. Aron's "co-opetition" model. In this cartel as Dr. Aron describes it, each member of this exclusive "club" is expected to obey certain rules with respect to pricing and availability of the wholesale services under an arrangement that could certainly be described as collusion. Conversely, non-members – i.e., any carrier or other party that does not or that cannot obey these rules, for example, a large user that is only a purchaser and not a seller of wholesale services, or a wireless carrier that does not itself own any significant amount of fiber backhaul or transport facilities – may be subjected to higher wholesale prices or other discriminatory tactics, such as slow-rolling the provisioning of new services, or simply being denied service altogether. If all of the players would be "acting in concert" or cooperating as Dr. Aron suggests, they would collectively be deemed oligopolists not subject to serious competition if viewed individually. And if they are cooperating in the manner that Dr. Aron testifies, they are almost certainly cooperating in anticompetitive ways – as a cartel. I find it difficult to

126. *Id.*, at 60-61, footnote references omitted.

believe that Dr. Aron's client, Verizon, would admit to being a member of such a cartel or to engaging in this type of collusion, but that is certainly what her testimony would suggest.

114. Notably, Dr. Aron makes no mention of the *VMG's* observation that "[t]he price that a downstream firm pays for an input supplied by an independent upstream firm may include a markup over the upstream firm's marginal cost" whereas "[i]f a downstream and an upstream firm merge, and the merged firm supplies itself with its own related product, it will have access to the input at cost."[127] If Verizon acquires Frontier, the most economically efficient transfer price for any services Verizon may purchase from what had been an independent Frontier would necessarily be at marginal cost without any markup. Even if the "co-opetition" arrangement described by Dr. Aron actually exists, I find it inconceivable that the former Frontier would offer its wholesale services to any non-affiliated purchaser at the same marginal cost-based price *sans* markup that would be used to record the intracompany transfer, or that the intracompany transfer price used by Verizon would include the same markup over marginal cost that Frontier had applied prior to the acquisition.

The US telecommunications industry has a very long history of restricting competition through a variety of discriminatory tactics, involving behavior that is nothing even close to Dr. Aron's vision of a "co-opetition" market model.

115. In any event, the "observed conduct of communications companies, including Verizon" does not actually support the "co-opetition" market model that Dr. Aron envisions. In fact, the US telecommunications industry has a very long history of restricting competition through

127. *VMG*, at 5.

tactics like prohibiting interconnection among facilities of different carriers, prohibiting or highly restricting resale of services, slow-rolling installation of access and other services, such as unbundled network elements ("UNEs") needed by competitors, among other things. Congressional legislation[128] and numerous FCC and judicial decisions have addressed these tactics, and most former Bell System companies have been dragged kicking and screaming into the current competitive environment.

116. And one does not need to look back very far to see recent examples of precisely such restrictive conduct. Under the *Proposed Final Judgment* ("PFJ") Settlement of the 2019 Sprint/T-Mobile merger as approved by the FCC and the US Department of Justice (DoJ) and upon which the CPUC had explicitly relied in approving the merger,[129] certain Sprint assets, including its Boost Mobile prepaid services business along with all Boost subscribers and Boost retail stores, were required to be divested to Dish Networks,[130] which was then in the process of constructing a nationwide 5G mobile wireless network. The DoJ/FCC rationale for approval of the merger was the expectation that Dish would emerge as a fourth national facilities-based

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128. § 271 of the *Telecommunications Act of 1996* ("TA96") offered the Bell Operating Companies ("BOCs") the "carrot" of reentry into the long distance market only if they adopted various measures that would afford local service competitors nondiscriminatory interconnection to the BOCs' networks and access to unbundled network elements (UNEs), among other things, that were also required under § 251. It took some BOCs, including Pacific Bell, as long as seven years following enactment of TA96 before they were deemed to have satisfied these requirements. *Application by SBC Communications Inc., Pacific Bell Telephone Company, and Southwestern Bell Communications Services Inc., for Authorization To Provide In-Region, InterLATA Services in California*, FCC WC Docket No. 02-306, *Memorandum Opinion and Order*, FCC 02-330, Rel.: December 19, 2002

129. *I/M/O Joint Application of Sprint Communications Company L.P. (U5112) and T-Mobile USA, Inc., a Delaware Corporation, For Approval of Transfer of Control of Sprint Communications Company L.P. Pursuant to California Public Utilities Code Section 854(a)*, A.18-07-011, D.20-04-008 April 16, 2020, at 43, 48, Conclusion of Law 7.

130. *Id.*, at 27.

wireless carrier thus overcoming the 4-to-3 impact of the Sprint/T-Mobile combination.[131] However, the FCC expressly recognized that the divestiture of Boost could result in increased costs to Boost in its purchase of MVNO wholesale services from the now-non-affiliated post-merger T-Mobile, because Boost would be operating, at least initially, as an MVNO and as such be required to engage in the very same types of "arm's length" transactions and negotiations with T-Mobile as any other non-affiliated MVNO, thus presenting serious obstacles to its ability to compete in the prepaid market. In its *Memorandum and Order* approving the merger with conditions, the FCC stated that:

> Accordingly, we require, as a condition of our approval, that the Applicants fulfill a series of commitments to address the potential for lost price competition, such as the divestiture of Boost Mobile. These conditions eliminate the concerns otherwise identified in our review. Among other requirements, the Applicants have committed that the divested Boost Mobile *will have low-cost wholesale network access on terms superior to typical MVNOs*, with the financial incentive to provide robust competition from the moment of divestiture, and with the ability to build its own facilities over time. We conclude that, *as conditioned*, the transaction would not substantially lessen competition, and would be in the public interest.[132]

Notably, the FCC adopted specific measures to assure that "the divested Boost Mobile will have low-cost wholesale network access on terms superior to typical MVNOs" and further that

> although the DOJ *Proposed Final Judgment* requires the Applicants [Sprint and T-Mobile] to enter into an MVNO agreement with DISH, the Applicants are still required to submit that MVNO agreement to WTB,[the FCC's Wireless Telecommunications Bureau] which will review it to ensure that it satisfies the conditions

131. *I/M/O Applications of T-Mobile US, Inc., and Sprint Memorandum Opinion and Order, Declaratory Ruling, and Order of Proposed Modification t Corporation For Consent To Transfer Control of Licenses and Authorizations*, WT Docket No. 18-197,, Released: November 5, 2019, FCC 19-103, at para. 106. *See also*, D.20-04-008, at Section 6.5.1, p. 27.

132. *Id.*, at para. 11, emphasis supplied, footnote references omitted.

> adopted in this MO&O, *including that Boost Mobile be divested to a "serious and credible third-party buyer*;" further, the Applicants are subject to making significant financial payments until they receive WTB's approval of an agreement that meets those conditions."[133]

117. In fact, in that same *Order*, the FCC had conceded that it "typically has seen MVNOs as limited in their ability to constrain the prices of facilities-based service providers *because they rely on those facilities-based providers for network access*"[134] – an observation that runs directly counter to Dr. Aron's vision of "co-opetition" among market participants. In order to ensure that the divested Boost Mobile MVNO will be effective in constraining the post-merger T-Mobile's market power, the FCC had expressly required that "New Boost's wholesale network access agreement will be unique among MVNO agreements in the industry, with more favorable terms and conditions that, in turn, will enable New Boost to more effectively constrain potential price increases."[135]

> Under the Boost Divestiture Conditions, the pricing provisions of the wholesale arrangement between New Boost and New T-Mobile must comply with three key principles. First, the rates that New T-Mobile charges New Boost for wholesale service must be low enough to "create a strong incentive and ability" for New Boost and T-Mobile to compete with one another, enabling competition at least as strong as Boost provides today. Second, in addition to requirements ensuring that New Boost has access to that improved New T-Mobile network, the wholesale pricing must "allow [New Boost] to benefit from the long-run network cost efficiencies of New T-Mobile's 5G network deployment." This increases New Boost's competitive capabilities just as it will for New T-Mobile. And third, the pricing in New T-Mobile's wholesale MVNO agreement must "meaningfully improve upon the commercial terms" in T-Mobile's existing wholesale contracts with its largest three

133. *Id.*, at fn. 110, emphasis supplied.

134. *Id.*, at para. 201, emphasis supplied.

135. *Id.*

> MVNO customers, as well as Sprint's existing wholesale contracts with its largest three MVNO customers.[136]

It is apparent that the FCC (and the DoJ) had recognized that transforming Boost Mobile from a wireless carrier-affiliated provider to an MVNO would place it at a competitive disadvantage relative to T-Mobile and to other facilities-based CMRS carriers. The FCC's "solution" was to impose, *through explicit regulatory action*, the requirement that the MVNO agreement to be negotiated between Boost Mobile and T-Mobile "must meaningfully improve upon the commercial terms' in T-Mobile's existing wholesale contracts with its largest three MVNO customers." Clearly, neither the FCC nor the DoJ had any expectations that the type of *co-opetition* to which Dr Aron refers would arise on its own between Boost and T-Mobile, or that T-Mobile would play nice with Dish absent the specific conditions that were imposed in the PFJ

118. One of the specific terms of the 7-year MVNO agreement with T-Mobile that was required under the settlement was that Dish was to be provided with the use of Sprint's LTE network for three years, so as to maintain CDMA service to existing Boost customers during its transition to its own 5G network or to other T-Mobile services. In that regard, D.20-04-008 stated in Ordering Paragraph 6 that "[t]he legacy Sprint and T-Mobile customer experience shall not be degraded during the customer migration period (2020-2023) . ..." However, after only one year following Dish's acquisition of Boost, T-Mobile announced that it was going to shut down its legacy LTE network and terminate CDMA services to Dish effective January 1, 2022.

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136. *Id.*, para. 202, footnote references omitted.

On April 28, 2021, Dish submitted a *Petition ... to Modify D.20-04-008* to the CPUC. In its *Petition*, Dish stated that:

> Neville Ray, T-Mobile's President of Technology, stated under oath in his supplemental testimony that there would be a three-year transition period to move CDMA customers onto the New T-Mobile network:
>
> > I would also reiterate that T-Mobile intends to *maintain the 800 MHZ spectrum for three years to support CDMA service during our migration process* and that we have an option to lease 4 MHZ of spectrum for additional time if required.
>
> Mr. Ray confirmed the company's commitment to at least a three-year transition timeline when he testified under oath during cross examination in the Commission's second evidentiary hearing ...[137]

Dish asked the Commission to issue an Order directing "New T-Mobile" (which by then included legacy Sprint) to "live[] up to its commitment to operate the Sprint CDMA network until, at least July 1 2023" and to reiterate the language in Ordering Paragraph 6 of the original decision, On August 13, 2021, the Assigned Commissioner and Assigned ALJ issued a "*Ruling Directing T-Mobile USA, Inc. to Show Cause*" that ordered T-Mobile "to show cause why it should not be sanctioned by the Commission for Violation of Rule 1.1 for its false, misleading or omitted statements indicating that 1) its CDMA network would be available to its Boost customers until they were migrated to DISH's LTE or 5G services, 2) maintaining service to the CDMA network did not require use of Sprint PCS spectrum, 3) PCS spectrum would not be used for T-Mobile's 5G build-out, 4) all former Sprint customers would have a seamless, undegraded experience during the migration period (2020-2023) and 5) DISH would have up to three years

137. A.18-07-011, *Petition of Dish Network Corporation To Modify D.20-04-008* [Cal Advocates Exhibit A-26], at 4, citations omitted, emphasis in original.

in which to complete Boost customer migration."[138] If it was T-Mobile's intent to prevent Dish from becoming a significant competitor in the wireless market, it would appear that T-Mobile has certainly succeeded. According to the most recent Dish Form 10-K for the year ending December 31, 2023, Dish had just under 7.4-million retail mobile wireless subscribers.[139] By comparison, T-Mobile as of that same date was serving 119.7-million mobile wireless subscribers.[140] Industry-wide, the Cellular Telecommunications and Internet Association ("CTIA"), the wireless industry's trade group, puts the total number of US wireless connections as of the end of 2023 at 558-million.[141] That would put Dish's share of the nationwide mobile wireless market at about 1.33%, hardly presenting any sort of competitive threat to T-Mobile or, for that matter, to anyone else.[142]

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138. A.18-07-011, *Assigned Commissioner and Assigned Administrative Law Judge's Ruling Directing T -Mobile USA, Inc. to Show Cause Why it Should Not Be Sanctioned by the Commission for Violation of Rule 1.1 of the Commission's Rules of Practice And Procedure*, August 13.2021, at 8.

139. Dish Network Corporation Form 10-K for Year Ending 12/31/23, at 50.

140. T-Mobile USA, Inc. Form 10-K for Year Ending 12/31/23, at 40.

141. https://www.ctia.org/the-wireless-industry/infographics-library

142. The record in the T-Mobile/Sprint merger proceeding, A.18-07-001, was reopened following the release of the DoJ/FCC Proposed Final Decision, which called for T-Mobile to divest its Boost Mobile prepaid business and other Sprint assets to Dish, along with certain commitments to assist Dish in transitioning the Boost customer base to its own 5G network as it was constructed. In my testimony in that phase of the CPUC proceeding, I expressed serious doubts as to Dish's ability to actually become "the fourth national wireless carrier" – the foundation of the DoJ's settlement plan. I constructed a model to estimate the potential growth in DISH's customer base and market share during its initial ramp-up period ("ETI DISH Ramp-up Model"). The Model covered the period 2020-2026 (years 1 through 7). Reply Testimony of Lee L. Selwyn on behalf of Cal Advocates, November 22, 2019 [Cal Advocates Exhibit A-25], at 40. The "base case" model projected that, as of December 2023, Dish would be serving 10.12-million prepaid and 2.5-million postpaid subscribers, a total of 12.37-million. I also constructed a "best case" sensitivity model that projected Dish's total December 2023 subscribers at 20.38-million. Table A-2 Base Case; Table A-2 Best Case. As minuscule as my projected Dish market share may have been, my projections still exceeded Dish's actual December 2023 results which, per its 10-K, showed only 7.4-million subscribers.

The concerns regarding the impact of the vertical integration of Frontier and Verizon as expressed in Cal Advocates' *Protest* are entirely consistent with the concerns contained in the DoJ/FTC *Vertical Merger Guidelines* and with prior FCC actions, and are in no way overcome by Dr. Aron's *co-opetition* theory.

119. In its November 21, 2024 *Protest*, Cal Advocates noted that "[t]o the extent that Frontier's wholesale network access customers currently compete with Verizon, the acquisition could impact the ability of those customers to compete after existing agreements expire."[143] In the current matter, we don't even have any explicit Verizon commitments as to how it will treat its competitors insofar as providing them with access to Frontier fiber and other network resources. All we have is Dr. Aron's assurances that Verizon and its rivals will all "play nice" and engage in what she refers to as "co-opetition."[144] In view of the telecommunications industry's long history of not playing nice, the FCC/DoJ imposition of requirements intended to assure that T-Mobile would play nice with Dish, and the recent conduct of T-Mobile despite those specific assurances that it would comply with obligations it had agreed to with the DoJ, the FCC and the CPUC, the Commission should afford little weight to Verizon's assurances (such as they are) and to Dr. Aron's assurances as to Verizon's post-acquisition conduct in the wholesale market.

120. As I noted earlier, Verizon's Paul Russo has made it clear that the Company perceives the acquisition of the Frontier wireline footprint and fiber as a means for expanding its mobile offerings into broadband. If the acquisition of fiber and other network facilities from competing providers is as cooperative as Dr. Aron's *kumbaya* vision of the US telecommunications market

143. Cal Advocates' *Protest*, November 21, 2024, at 16.

144. Aron testimony, at 60.

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would suggest, then Verizon could easily accomplish all of its stated market goals without actual ownership and integration of competing carrier facilities. Dr. Aron's overly simplistic view of how this industry works – and its history of pervasive and ongoing anticompetitive conduct – ignores the potential impact of the vertical integration that this proposed transaction will create.

Competition between wireline broadband and fixed wireless broadband access

While far from perfect substitutes, wireline broadband and fixed wireless broadband do compete in locations where both are available.

121. In its *Protest,* Cal Advocates notes that while "Joint Applicants claim that the Proposed Transaction will not adversely impact competition because Verizon is not an ILEC in California and Frontier is not a mobile provider in California, ... this neglects the competitive pressure that Verizon's fixed wireless access broadband product could bear on Frontier's broadband products.[145] The Joint Applicants concede that Verizon already offers fixed wireless broadband access ("FWA") at locations where Frontier offers fixed wireline broadband within its California footprint[146] and as Verizon's Joseph Russo has stated, Verizon wants to expand its fixed wireless broadband footprint, and the Frontier acquisition will facilitate that objective.[147] Within Frontier's California service area, FTTP broadband and FWA are today provided by separate companies; the merger would eliminate that. Not surprisingly, several Joint Applicant witnesses go to some lengths to dismiss the extent to which FWA should be considered as actually

145. Cal Advocates *Protest*, at 16.

146. Aron, at 31-32, A24.

147. Verizon 9/5/24 Form 8-K, Ex. 99.3.

competing with fixed wireline broadband.[148] The reason for this position is fairly obvious: To whatever extent wireline and wireless broadband do compete with one another, if the merger is approved, competition as between fixed wireline broadband and FWA would be diminished or eliminated precisely because Verizon will be competing with itself as between these two services.

122. While FWA is inferior in most respects to wireline broadband, it is still a sufficiently close substitute for many customers such that its *pricing* may interact with that of fixed wireline broadband. Where both are available at a particular location and where FWA is offered at a lower price, customers are able to evaluate the difference in price against the difference in service and, where some customers determine that the inferior aspects of FWA do not, for them, justify paying the additional price for wireline broadband, the lower FWA price will put some downward pressure on the pricing of wireline broadband. But when the same company (i.e., Verizon) offers both FWA and wireline broadband at the same locations, it is in a position to manipulate the prices of both services so as to maximize profit across both products. For example, it can increase the prices of both services while maintaining the same differential between them. If the merger is approved and Verizon becomes a major if not the dominant provider of both wireline and wireless broadband in the same locations, its ability to set prices and the differential in prices for these two alternative services would certainly enable it to raise prices for both.

148. Verizon opening testimony, January 27, 2025, at 6-7 (Vasington); Aron, at 25, A22.

Dr. Aron has grossly understated the extent to which Verizon's Fixed Wireless Broadband Access competes directly with Frontier's wireline broadband across Frontier's ILEC service area in California.

123. Dr. Aron reports that, based upon her analysis, the percentage of locations where both Verizon fixed wireless broadband and Frontier wireline broadband are being offered is relatively small and, on that basis, she dismisses Verizon FWA's importance as a competitor to Frontier fixed wireline broadband. Dr. Aron has based her assessment as to the presence of both services upon the most recent FCC BDC data, which is current as of June 2024.[149]

124. In Cal Advocates Data Request to Frontier 1.39 [Cal Advocates Exhibit A-3-C],, we asked Frontier to provide certain "information separately for each of the three California ILECs (Frontier California, Inc., Citizens Telecommunications of California, Inc. and Frontier Communications Southwest) as of December 31, 2023, providing whole entity information for each ILEC that operates in California and providing this information on a California-only basis for each ILEC that operates in California." Among the information we requested were the following specific items:

1.39.a. Total homes passed (all services)
1.39.b. Total nonresidential locations passed (all services)
1.39.c. Total homes passed by twisted-pair copper distribution plant
1.39.d. Total nonresidential locations passed by twisted-pair copper distribution plant
1.39.e. Total homes passed where DSL over twisted-paid copper distribution plant is available
1.39.f. Total nonresidential locations passed where DSL over twisted-pair copper distribution plant is available
1.39.g. Total homes passed where Fiber-to-the-premises is available
1.39.h. Total nonresidential locations passed where Fiber-to-the-premises is available

149. Aron, at 27.

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1.39.I Total homes passed where other broadband services (specify type) are available
1.39.j. Total nonresidential locations passed where other broadband services (specify type) are available

Dr. Aron's Table 1 provides quantities for some of these same categories, but her figures are dramatically different from those provided to us by Frontier, as shown in Table 10 below:

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<<BEGIN FRONTIER CONFIDENTIAL>>

Table 10

COMPARISON OF DATA FROM FRONTIER'S RESPONSE TO CAL ADVOCATES DR 1.39 WITH QUANTITIES PROVIDED IN DEBRA ARON'S TABLE 1

		Frontier 1.39	Aron Table 1
1	Total locations passed, residential and nonresidential, all Frontier services		not provided
2	Total homes passed with twisted-pair copper service available, residential and nonresidential		not provided
4	Total locations passed where copper-based DSL is available, residential and nonresidential		130,231
5	Total locations passed where FTTP is available, residential and nonresidential		1,685,110
4	Total locations passed where other broadband is available, residential and nonresidential		1,105
6	Total locations passed where any type of broadband is available, residential and nonresidential (L3+L4+L5)		1,805,528

<<END FRONTIER CONFIDENTIAL>>

Cal Advocates asked Frontier to confirm that its responses to DR 1.39 are correct and, where possible, to reconcile the differences between the DR 1.39 figures and those contained in Dr. Aron's Table 1. On March 12, Frontier provided the following response:

> The figures in response to question 1.39 are accurate, but do not tie to Table 1 of Dr. Aron's testimony because the information was gathered at different times from different data sources. Specifically, the figures in Frontier's attachment in response to question 1.39 reflect data as of year-end 2023 derived from Frontier's serviceability database as this is the only data source available where Frontier could differentiate passings/subscribers by legal entities (grouping of wire centers). In contrast, Frontier understands that the figures in Table 1 of Dr. Aron's opening testimony reflect data as of June 30, 2024 derived from the FCC's Broadband Data Collection ("BDC"). For BDC submissions, Frontier maps the

> serviceable locations within its system to the "Location ID" provided in the FCC "Fabric" database to report on the locations where Frontier service is available. However, the FCC might have just one Location ID for a Multi-Dwelling Unit ("MDU"). In this case, Frontier would only report one Location ID in its BDC submission, but Frontier may have multiple serviceable passings. BDC would then use FCC's own data source to re-engineer the actual passings. There may also be instances where Frontier is unable to map a serviceable address to a "Location ID."[150]

125. Dr. Aron's analysis of the June 2024 BDC data has several serious shortcomings that account for much of the disparity between her figures and those provided by Frontier:

(1) Dr. Aron has limited her analysis to only those portions of Frontier's California service area where Frontier *currently* (i.e., as of June 2024) offers some type of wireline broadband service – DSL or *FiOS*. She has thus *excluded from her market analysis* 1.24-million Californians and 446,852 households that fall within Frontier's service area.

(2) Dr. Aron has used "locations" as the terms applies in the BDC as if this represents individual *customers*. It does not. A "location" in the BDC is a single street address, which may represent a single customer (if a single-family house) or multiple customers if the address is that of a multi-unit dwelling. Thus, there are many more "customers" than there are individual "locations."

126. The BDC database includes all "locations" where any service provider has constructed infrastructure that is capable of providing broadband service to a customers within ten days

150. Frontier Response to Cal Advocates Data Request Frontier 1.39 Follow-Up, March 12, 2025 [Cal Advocates Exhibit A-3-C], at 5.

following the receipt of the customer's order.[151] The June 2024 BDC database contains 85,261 out of the total 146,546 census blocks in the Frontier ILEC service areas. As summarized on Table 11 below, the portion of Frontier's total operating areas in California that were excluded from Dr. Aron's "competition analysis" have a total population of 1,240,952, with 446,852 households, as identified in the 2020 US Census.

Table 11

PORTIONS OF FRONTIER'S CALIFORNIA ILEC SERVING AREAS OMITTED FROM DR. ARON'S COMPETITION ANALYSIS

	Census Blocks	Population	Households
All Frontier ILEC service areas in California	146,546	9.720.427	3,474,139
Areas included in FCC BDC and examined by Dr. Aron	85,261	8,479,475	3,027,287
Areas omitted from Dr. Aron's analysis	61,285	1,240,952	446,852
Percent omitted in Dr. Aron's analysis	41.82%	12.77%	12.86%

Sources: Frontier Revised Response to Cal Advocates DR 1.35; FCC Broadband Data Collection as of June 2024, US Census Bureau, Decennial Census 2020, PL2020.P1, H1; available at https://www.census.gov/programs-surveys/decennial-census/decade/2020/2020-census-results.html.

These omitted areas thus represent approximately 12.9% of the total households within Frontier's California serving areas. As it turns out, Verizon actually offers FWA service across a much larger portion of the total Frontier ILEC footprint than just at the locations that were included in Dr. Aron's analysis. By omitting 61,285 Frontier-served census blocks – the ones where Frontier was not, as of June 2024, offering any *broadband* service – Dr. Aron has

151. *See*, 47 CFR § 1.7001, 1.7004; also, *Establishing the Digital Opportunity Data Collection Modernizing the FCC Form 477 Data Program*, FCC WC Dockets. 19-195, 11-10, *Second Report and Order*, Rel. July 17, 2020, FCC 20-94.

significantly understated the actual extent of Verizon's FWA activity that is potentially competing with Frontier. Dr. Aron reports that Verizon FWA was being offered at 625,090 "locations" where Frontier broadband of any type was also available as of June 2024, and that this represented 34.62% of the "locations" where Frontier was, at that time, offering any type of broadband service.[152] This 34.62% figure seriously understates the actual extent of Verizon FWA presence in the Frontier footprint for two reasons:

(1) It omits all Verizon FWA "locations" that are within the Frontier footprint but where Frontier was *not* offering any broadband as of June 2024. Had she included all Frontier-served locations including those where no Frontier broadband is currently offered, she would have found that Verizon fixed wireless was actually available at 926,205 "locations" within the Frontier California ILEC footprint.

(2) The number of *customers* to whom service is available from a particular provider is a far more accurate indicia of market share or market presence than the number of individual street addresses. The BDC does not provide any type of *customer* count, but the US Census Bureau does provide the number of individual *households* in each census block. While perhaps less than precise,[153] the count of *households* is a far superior proxy for *customers* than the count of individual street addresses upon which Dr. Aron has relied for her analysis. By using "locations" as defined in the BDC

152. Aron, at 43, Table 8.

153. The imprecision arises where broadband service is being offered to less than all households in a given census block. This is less of a problem in the case of *wireless* broadband, but there may still be unserved areas in geographically expansive census blocks that are found in rural areas.

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rather than population or households at locations where Verizon FWA service is available, Dr. Aron seriously understates the true extent of potential Verizon FWA competition with Frontier. Had she used households rather than "locations" as her index of market size, she would have found that Verizon FWA is available to roughly 83.7% of all households within the total Frontier ILEC footprint. In fact, even where she had confined her analysis to only those "locations" where Frontier does offer some type of broadband but using households instead of "locations" as the market size metric, she would have found that Verizon FWA is available to 70.0% of potential residential customers, not the 34.62% (of "locations") that she calculated.[154]

As noted above, in a revised response to Cal Advocates Data Request 1.35 [Cal Advocates Exhibit A-2], Frontier identified 143,418 individual census blocks wholly within its service territory, plus another 3,128 census blocks that fall partially within Frontier's service territory. The BDC identified 3,128 additional Frontier broadband census blocks that Frontier had not included in its revised response to DR 1.35. I have combined these two sets, which now contains 146,546 census blocks in total. The difference between this number and Dr. Aron's count – 61,285 – represents areas served by Frontier where it does not offer any form of broadband. Figure 18 is a reproduction of the Frontier service area map provided at page 5 of the October 18, 2025 CPUC Application. Figure 19 provides a map of California showing, in light blue, all census blocks served by the three Frontier ILECs per Frontier's revised response to Cal

154. Dr. Aron has even tried to come up with a figure that is even lower that her 34.62%. "Frontier offers a wireline broadband service and Verizon offers FWA – at 625,090 locations in California (which I term the "overlap" locations because the services of both providers overlap at those locations). This is an overlap of only about 6.1 percent of the over 10 million broadband locations in the state " Aron, at 31-32, A24. Of course, comparing Verizon's presence within the Frontier footprint to Verizon FWA statement is both irrelevant and meaningless.

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Advocates Data Request 1.35 [Cal Advocates Exhibit A-2], plus the additional 3,128 Frontier-served census blocks that were not included in Frontier's revised response to Cal Advocates Data Request 1.35. The areas shown in Figures 18 and 19 do not precisely match mainly due to the existence of roughly 9,508 census blocks that are only partially included within the Frontier ILEC service areas, the majority of which were not included in Frontier's revised response to Cal Advocates Data Request 1.35 [Cal Advocates Exhibit A-2]. The map in Figure 20 shows, in light blue, only those portions of the total Frontier service area that were included in the FCC's BDC data base and that were the only areas examined by Dr. Aron. The areas highlighted in Figure 20 – tho ones that were examined by Dr. Aron – represent only a small fraction of the total Frontier ILEC service areas in California. To demonstrate this, Figure 21 is a map showing the extensive portions of the total Frontier footprint that Dr. Aron had *excluded*.

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Figure 18. Frontier California ILEC Service Area, per Joint Application, at p. 5.

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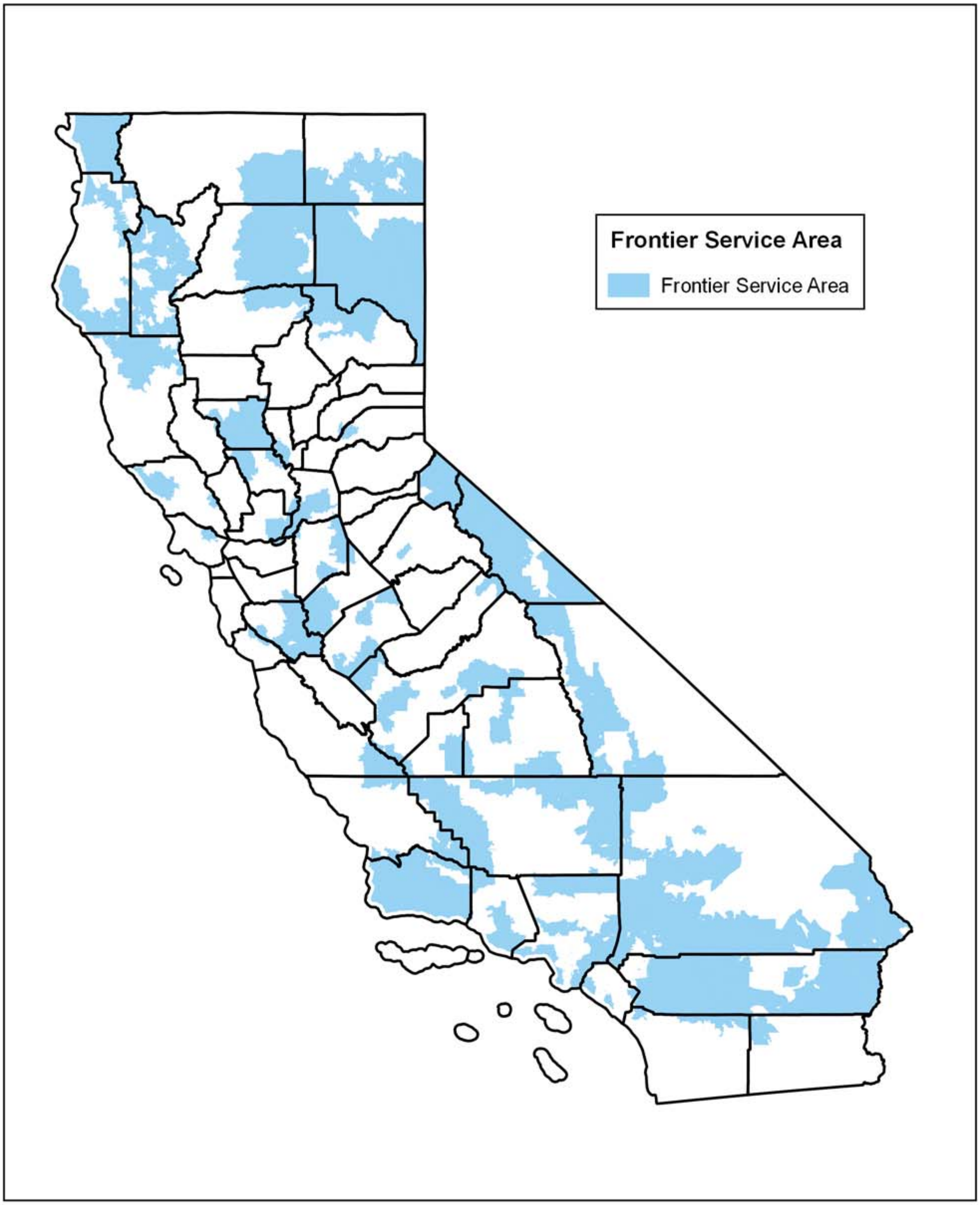

Figure 19. Frontier ILEC service areas, per Frontier Response to Cal Advocates Data Request 1.35.

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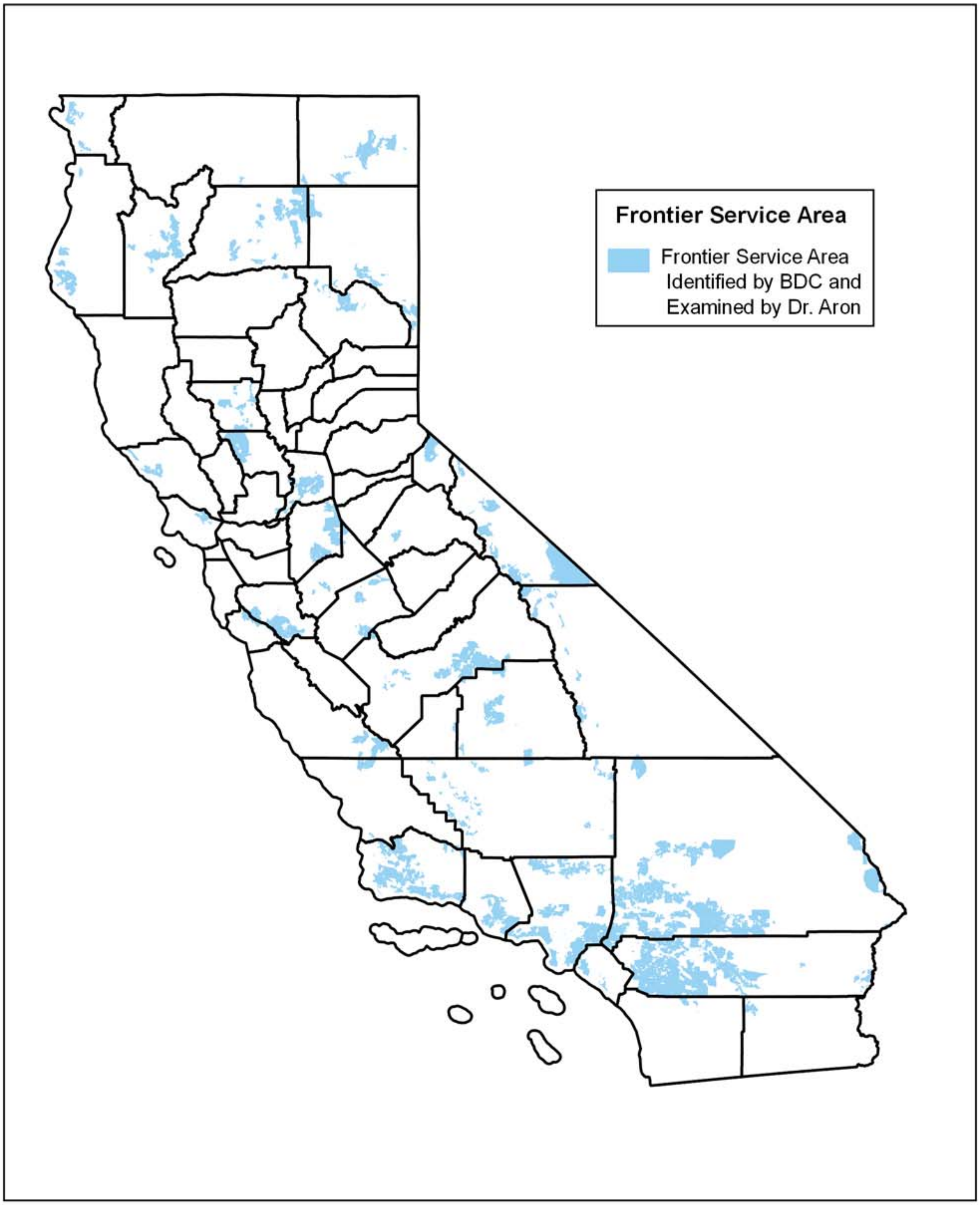

Figure 20. Frontier ILEC service areas examined by Dr. Aron as provided in the FCC Broadband Data Collection.

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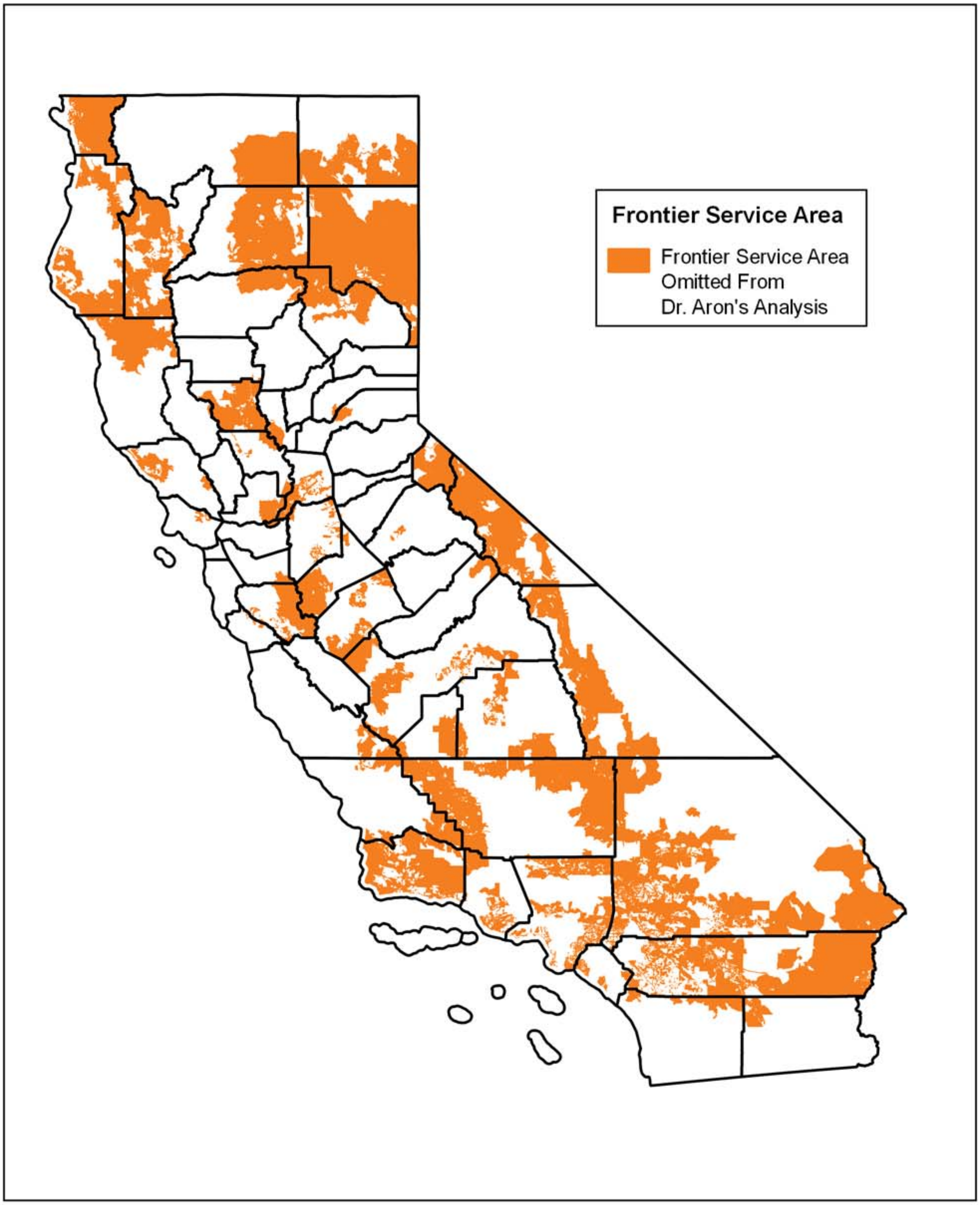

Figure 21. Portions of the Frontier ILEC service area that were omitted from Dr. Aron's competition analysis.

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127. To further demonstrate the sharp disparity between the total Frontier service areas and the limited portions thereof that were included in Dr. Aron's analysis, Figures 22 through 24 provide more detailed county-level maps of Riverside County. Figure 22 shows the total Frontier service area within the County based upon Frontier's revised response to Cal Advocates DR 1.35 and the additional census blocks from the BDC that were not in Frontier's revised response. Figure 23 highlights only those portions of the Frontier service areas in Riverside County that were included in Dr. Aron's competition analysis. Figure 24 shows those portions of Frontier's service area in Riverside County that were excluded from Dr. Aron' s analysis.

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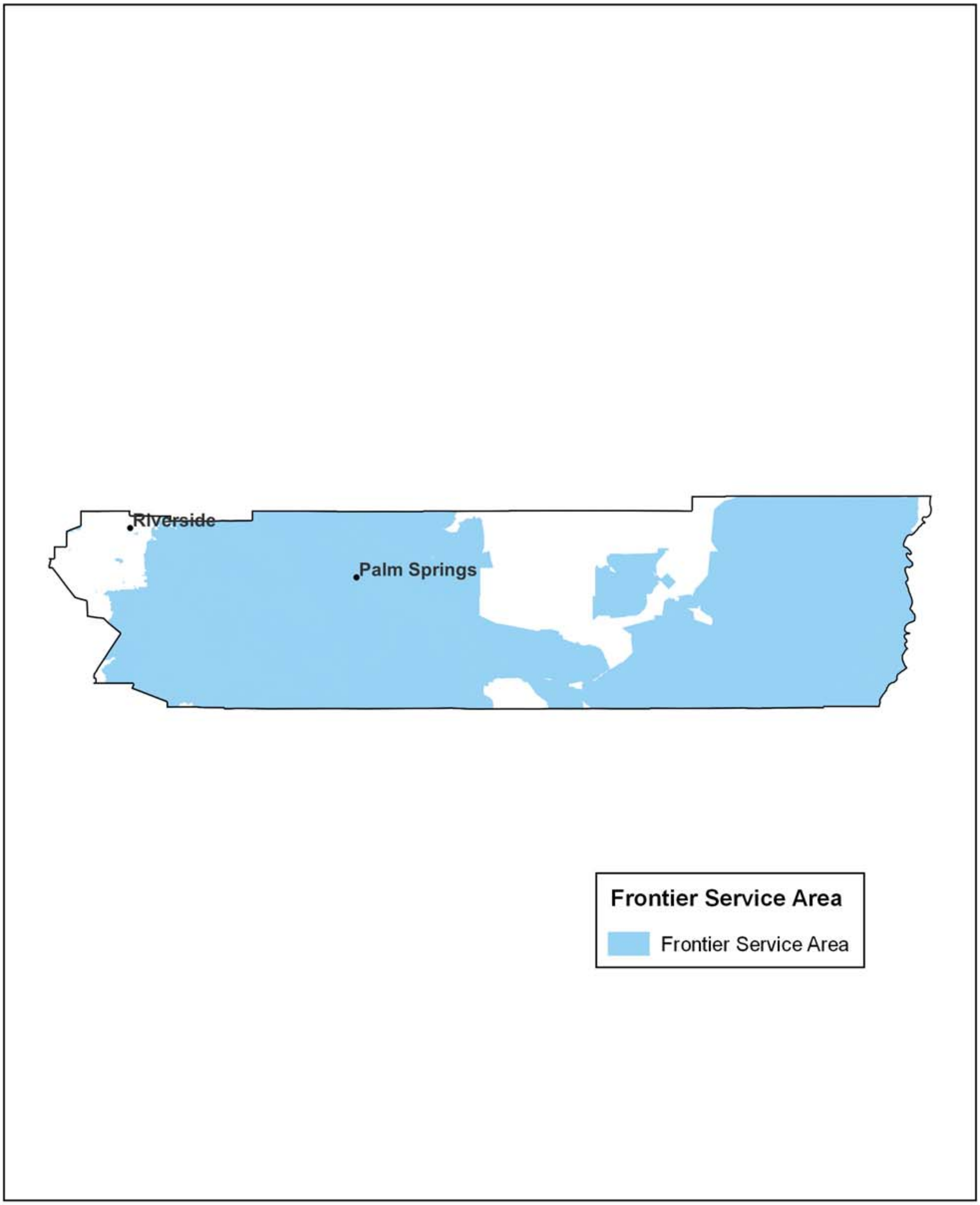

Figure 22. Frontier ILEC service areas, in Riverside County, per Frontier Response to Cal Advocates Data Request 1.35.

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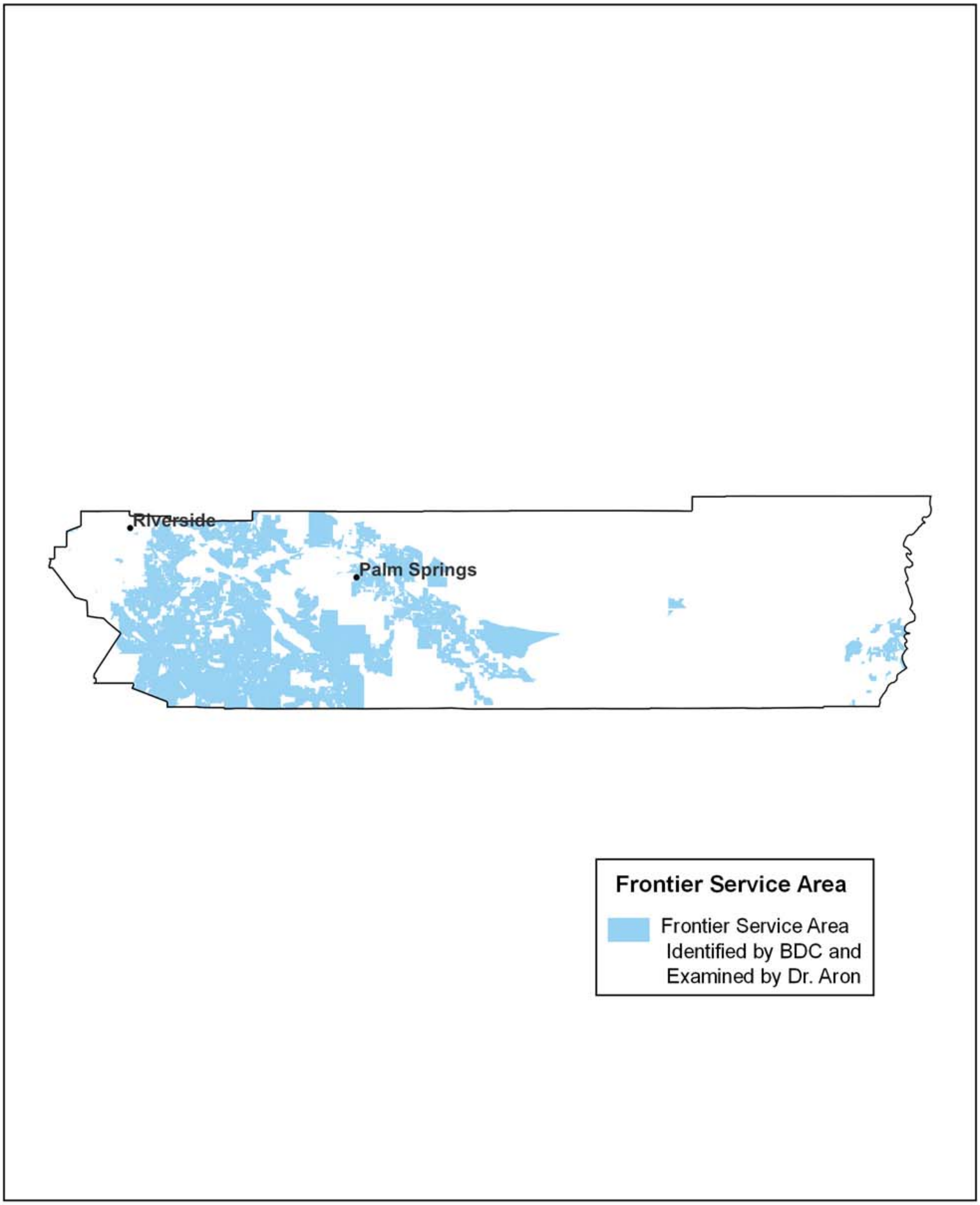

Figure 23. Frontier ILEC service areas in Riverside County examined by Dr. Aron as provided in the FCC Broadband Data Collection.

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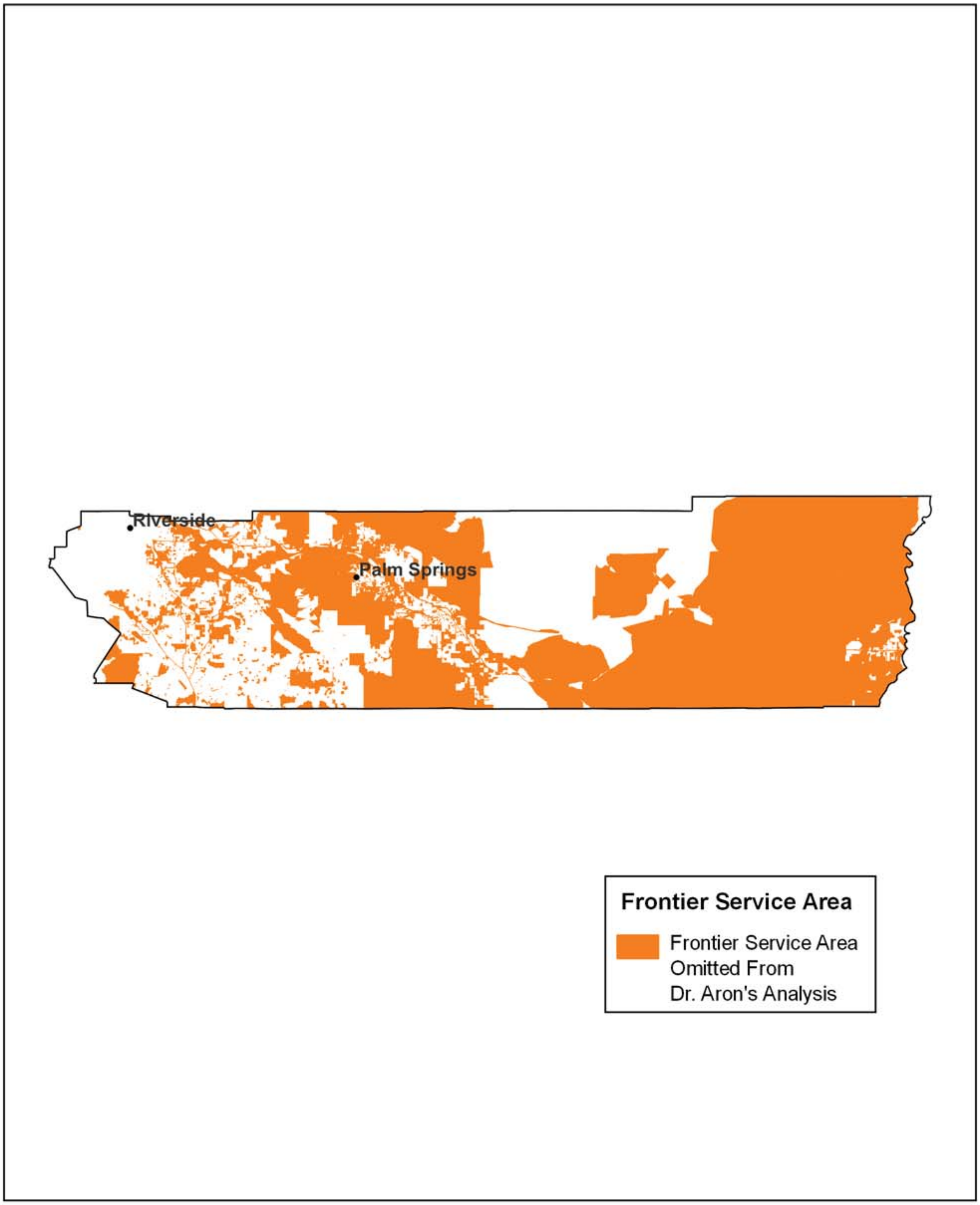

Figure 24. Portions of the Frontier ILEC service ares in Riverside County that were omitted from Dr. Aron's competition analysis.

128. Table 12 below demonstrates the extent to which Dr. Aron has understated Verizon's fixed wireless presence:

Table 12

VERIZON FIXED WIRELESS PRESENCE IN FRONTIER'S CALIFORNIA SERVICE AREA

	Census Blocks	Population	Households	Verizon FWA percent of households
Total Frontier ILEC service area	146,546	9,720,427	3,474,139	
Locations with Verizon FWA per FCC BDC as of June 30, 2024	80,128	7,982,897	2,905,546	83.7%
Verizon FWA locations identified by Dr. Aron	59,245	6,748,861	2,431,511	70.0%

Sources: Frontier revised response to Cal Advocates DR 1.35; FCC Broadband Data Collection as of June 2024; US Census Bureau.

129. Any assessment of the extent to which Verizon is an actual or a potential competitor to Frontier must include all of Frontier's California operating areas, not just the subset that Dr. Aron has studied. As I have noted, Verizon has specifically advised investors that by combining Frontier's fiber with Verizon's wireless infrastructure, Verizon will be able – and *intends* – to expand both services across its now-larger nationwide footprint. For example, according to Sowmyanarayan Sampath, Executive Vice President and CEO of Verizon Consumer Group,

> In [wireless] markets where we have Fios today, our wireless share tends to be 400 to 500 basis points higher than when we don't have Fios in this market. Over

> a period of time, once we close, we expect our wireless share in the Frontier markets to grow up that level as we kind of bring our two bases together.[155]

One can certainly conclude, from Sampath's remark, that Verizon intends to expand its FWA offerings throughout the former Frontier footprint. As a technical matter, the extensive fiber backhaul infrastructure that supports *FiOS* can be readily adapted to also support FWA. Frontier's fiber has more than sufficient capacity, and is present across a broad range of geographic locations across Frontier's operating areas. For purposes of a forward-looking competition analysis, to whatever extent FWA is seen as a competitor to fixed wireline FTTP broadband, one should assume an FWA coverage rate that is closer to 100%, not the 34.62% that Dr. Aron has calculated based upon historical – i.e., *backward-looking* – FCC data.[156] And where FWA and FTTP are offered by the same provider at the same set of locations, the proposed acquisition of Frontier by Verizon would eliminate what would otherwise be a serious competitor in this market.

Dr. Aron's competition analysis overstates the availability of competitively-provided wireline broadband within the Frontier service area in California, and understates the extent to which broadband is not available to customers within the Frontier service areas.

130. Consistent with the Joint Applicants' goal of portraying as minimal the extent to which their merger would diminish competition, Dr. Aron's assessment overstates the extent of competition for wireline broadband services. Her analysis, however, suffers from several serious

155. Transcript of Investor Conference Call, "Verizon Communications Inc to Acquire Frontier Communications Parent Inc" September 5, 2024, attachment to Verizon Communications, Inc. SEC Form 8-K, September 5, 2024.

156. Aron testimony, at 43, Table 5.

shortcomings. It is based upon a misunderstanding of the CPUC's threshold for minimally adequate broadband service. Dr. Aron explains that "for my analyses I have included fixed broadband service from providers other than Frontier or Verizon only if the service speed is at least 25 Mbps for download and at least 3 Mbps for upload, a threshold below which the CPUC identifies a location as "unserved."[157] She cites PU Code § 281(b)(1)(B)(ii)(I) as support for her understanding of the CPUC's "threshold."[158] Dr. Aron is citing to the definition of "unserved" for the California Advanced Services Fund ("CASF") program, which is the standard for what makes a location *eligible* for CASF funding. But she entirely overlooks another provision in that very same PU Code § 281, which requires CASF program recipients to commit to build out to at least 100/20 Mbps.[159] As the Commission notes at D.22-11-023:

> Pub. Util. Code Section 281(f)(5) requires the Commission to make funding available for projects that "deploy infrastructure capable of providing broadband access at speeds of a minimum of 100 megabits per second, (mbps) downstream and 20 mbps upstream, or the most current broadband definition speed standard set by the Federal Communications Commission," whichever is greater, "to "unserved areas or unserved households."[160]

157. Aron testimony, at 28, A23.

158. *Id,* at fn. 42.

159. PU Code § 281(f)(5).

160. *Order Instituting Rulemaking Regarding Revisions to the California Advanced Services Fund*, R.20-08-021, Decision Adopting Modifications to California Advanced Services Fund Broadband Infrastructure Grant Account, D.22-11-023, at 4.

Moreover, 100/20 is the "most current broadband definition speed standard set by the Federal Communications Commission,[161] and thus, 100/20, not 25/3, is the standard against which competition should be measured. The National Telecommunications Information Administration (NTIA) considers areas with service levels below 100/20 mbps to be "underserved" with respect to broadband availability.[162] By using a considerably lower speed standard, Dr. Aron's analysis included services with speeds below 100/20 as long as they were at least at the 25/3 level. But by including services and service providers that fall short of the required 100/20 minimum, Dr. Aron overstates, by approximately 2.56-million locations on a statewide basis, the actual extent of competition for fixed wireline broadband. 100/20 is also a minimally appropriate *forward-looking* service level threshold. The competition analysis that I have undertaken, as reflected in the maps and tables discussed in the previous section of this testimony, are based upon the 100/20 standard.

131. Dr. Aron's "competition analysis" thus *overstates* the actual extent to which providers other than Verizon compete with Frontier by including providers that do not offer high-speed broadband access at the 100/20 level, while at the same time *understating* the extent to which Verizon and Frontier compete directly with each other. If the acquisition is allowed to go forward, a competitor in the geographic market served by Frontier will be eliminated, and competition overall will be diminished.

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161. *I/M/O Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion*, GN Docket no. 22-270, *2024 Section 706 Report*, FCC 24-27, Adopted: March 14, 2024 Released: March 18, 2024, at para. 22.

162. National Telecommunications and Information Administration, "A Whole-Of-Nation Approach to High-Speed Internet." "The first priority for funding is for providing broadband to unserved areas (those below 25/3 Mbps), followed by underserved areas (those below 100/20 Mbps), and then serving community anchor institutions (1/1 Gbps)." https://www.ntia.gov/funding-programs/high-speed-internet-programs (accessed 4/10/25)

5. Mitigations and conditions that could permit approval of the acquisition

Comditions for approval

132. Scoping Memo Issue 3(h) asks "Does the proposed transaction provide mitigation measures to prevent significant adverse consequences that may result?" The Joint Applicants have not proposed any specific mitigation measures that would address the various adverse consequences of the proposed transaction that I have identified in this testimony, but Cal Advocates witness Lucas Duffy has proposed several Conditions for Approval that are intended to overcome concerns that I have expressed here.

133. Mr. Duffy has recommended a series of conditions for approval that the Commission could adopt so as to overcome some of the shortcomings in the Joint Applicants' proposal that I have identified in this testimony. These can be summarized as follows:

- *Broadband and Fiber Deployment* – Verizon has made no commitments with respect to any further fiber-to-the-premises (FTTP) deployment beyond those made or currently under construction by Frontier as part of the Settlement that was adopted when the Company emerged from bankruptcy in 2021. The Commission should require Verizon to deploy broadband at data rates no less than 100/20, to 100% of Frontier's service territory, with FTTP deployed and available to at least 90% of existing and potential customers in what will become Verizon's California service territory within five years post transaction.

- *Service Quality Reporting* – Since Frontier's service territory is known to have systemic service quality issues, the Commission should require Verizon to report on key service quality outcomes for a minimum of 10 years post-transaction, and to comply with minimum service quality standards.

- *Price Transparency* – The Commission should require Verizon to offer broadband services transparently, such that each broadband service offering is the same throughout what will become Verizon's California service territory.

- *Low-Income and low-cost broadband plans* – The Commission should require Verizon to offer broadband plans to qualifying low-income customers at an affordable rate and also offer a generally-available low-cost plan.

- *Open Access Fiber* – The Commission should require Verizon to offer access to its fiber transport and backhaul facilities in what will become Verizon's California service territory on an open access basis, similar to the policy adopted for the state middle mile network.

- *Transition Plan* – The Commission should require Verizon to submit – and to strictly adhere to – a transition plan detailing the steps it will take to ensure a smooth transition for existing Frontier customers, including the technical aspects of network management.

- *Compliance with GO 95* – The Commission should require Verizon to bring any poles under its primary ownership into compliance with General Order 95.

- *Performance Bond* – To assure full compliance with these Conditions for Approval, the Commission should require Verizon to post a performance bond or letter of credit that guarantees adherence with the conditions outlined in this merger.

Fiber deployment

134. Up to now, Frontier has been a "pure play" *wireline* telecommunications carrier. Its strategy for high-speed broadband service has been to extend the *FiOS* Fiber-to-the-Premises infrastructure that it acquired from Verizon in 2016 to successively more customers. While Verizon has also been a major provider of wireline services, there can be little doubt that today *its primary business is wireless*. For the first quarter of 2025, total Verizon operating revenues, including both service revenues and revenues from sales and rentals of wireless equipment, were $33.485-billion. Of that total, revenues from *wireless* services and equipment amounted to $26.2-billion.[163] Thus, wireless now represents some 78.2% of total Verizon 1Q2025 revenues. As is shown in Figure 25 below, over the past 25 years, Verizon's wireless connections have grown from about 25-million in 2000 to nearly 120-million, while its wireline connections – both legacy voice access lines and broadband – have decreased by nearly 90%, from around 60-

163. Verizon press release, "Verizon delivered strong financial growth with industry-leading wireless service revenue in 1Q 2025," April 22, 2025 (accessed 4/27/25) https://www.verizon.com/about/news/verizon-delivered-strong-financial-growth-industry-leading-wireless-service-revenue-1q-2025

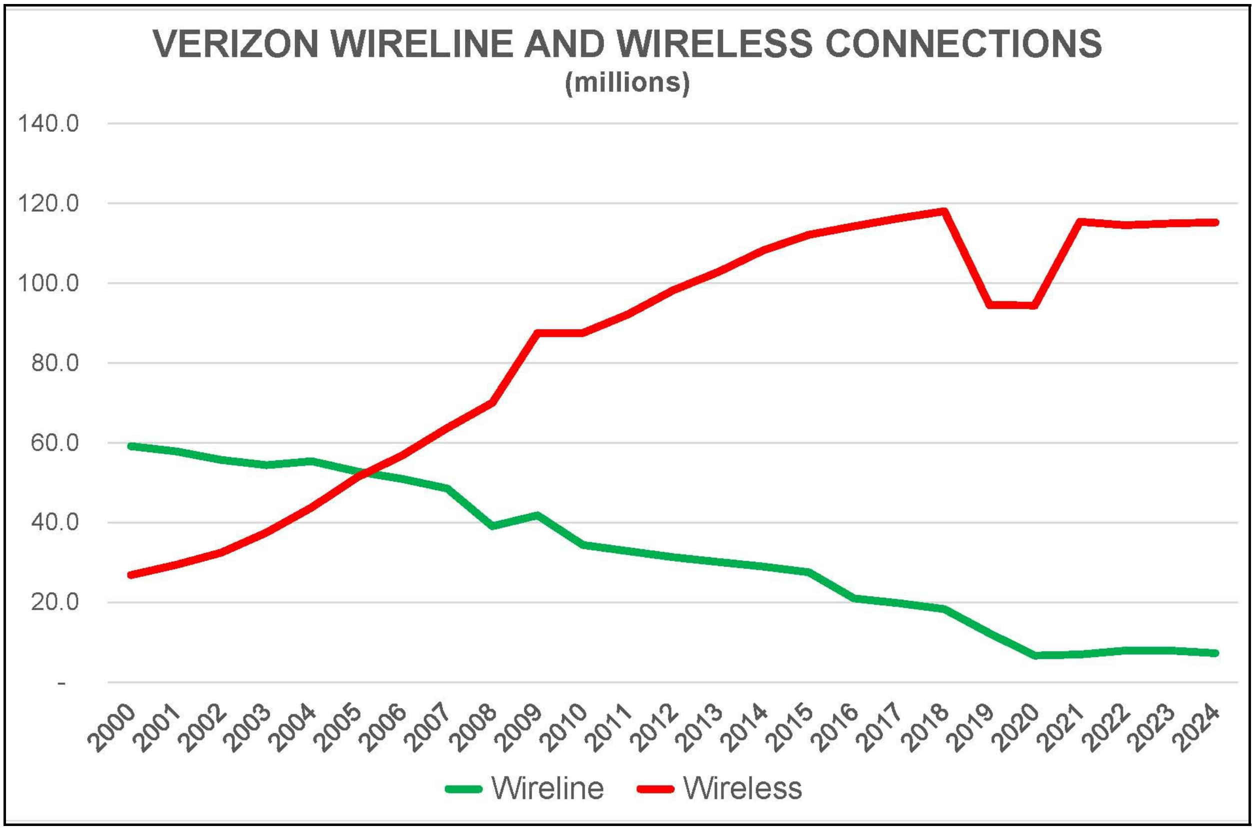

Figure 25. Verizon has clearly become primarily a wireless company, and has allowed its wireline customer base to drop by nearly 90% over the past 25 years.

million in 2000 to just over 7-million at year-end 2024.[164] Verizon has also been growing its FTTP footprint and will continue to offer its *FiOS* high-speed Internet access to FTTP-served locations. But unlike Frontier, Verizon is heavily committed to extending the availability of its fixed *wireless* broadband access (FWA) service nationwide. Verizon reported total broadband connections of more than 12.6-million as of the end of first-quarter 2025.[165] This figure includes both *FiOS* and Fixed Wireless broadband. As of the end of 2024, Verizon reported a total of

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164. Verizon Form 10-K reports, 2000 through 2024. Verizon stopped reporting legacy voice service connections after 2019, so the totals for 2020-2024 are likely understated.

165. Verizon 1Q2025 Press Release, fn. 163, *supra.*

7.135-million *FiOS* Internet connections, and in its 1Q2025 report states that it had net additions of 45,000 in 1Q2025. This would bring the total *FiOS* connections to 7.18-million. Fixed wireless broadband thus represents about 43% of all Verizon broadband connections. Building on its extensive mobile wireless CMRS platform, Verizon has thus directed its investment focus toward FWA rather than FTTP. That this strategy will persist after the Frontier acquisition is reinforced by statements made by several senior Verizon officials at the September 5, 2024 investor conference when the proposed acquisition of Frontier was being announced, and in the accompanying Form 8-K report filed with the SEC on that same date. Moreover, as I have noted here, Verizon has made no commitment whatsoever as to any additional FTTP deployment within Frontier's California serving areas following the acquisition.

135. FTTP is a far superior form of broadband access than FWA. The Commission has long encouraged widespread FTTP or similar high-speed wireline broadband deployment, as demonstrated in one of the key conditions it adopted in the settlement of Frontier's 2021 emergence from Chapter 11 bankruptcy. In that case, Frontier had agreed, as a condition for CPUC approval, to extend FTTP to an additional 350,000 customer premises by 2026. And as I have noted, Frontier has already met and exceeded – by a significant amount – that commitment. In its *Protest*, Cal Advocates has expressed concern that under Verizon's ownership, the Company would direct its attention away from FTTP and toward FWA and other wireless products. Absent the FTTP deployment condition being recommended by Cal Advocates, there is simply no assurance that, following its takeover of Frontier, Verizon will pursue any additional FTTP deployment at all in California. At the same time, there may be situations

where the cost of providing FTTP to some locations could be prohibitive, making some form of FWA the appropriate solution if FWA is able to achieve the full 100/20 service objective.

Service quality

136. As I have discussed here, Frontier and Verizon, before its spin-off of the California ILECs to Frontier in 2016, have a long history of falling far short of meeting the Commission's service quality requirements as set out at General Orders 133-C and 133-D. The applicability of GO 133-C/D is primarily to legacy copper voice telephone service (POTS), but the vast majority of residential and nonresidential consumers have by now replaced POTS type services with broadband (wireline and/or wireless). However, the public policy goals of universal services and universal connectivity have in no sense been diminished as a result of the transition away from POTS. Given these companies' history of persistently substandard service quality, the idea of imposing an ongoing minimum service quality standard as a condition for approval seems eminently reasonable and necessary. This can be accomplished by requiring that Verizon agree, as a condition for approval, to adopt, apply and maintain GO 133-C/D/E service quality standards addressing service outages, restorations and similar metrics to its wireline broadband service offerings within what will become its California operating areas.

Price Transparency

137. In the era of POTS, local telephone service pricing was quite simple and straightforward. There were only a few pricing plans, differing from one another with respect to the volume of usage and the geographic scope of the local calling area that would be included in

the monthly rate. Broadband services are offered in a wide variety of service bundles focusing upon attributes such as data rate (downlink and uplink speeds), content that is packaged with the monthly charge, premises equipment such as wi-fi-routers, and various other service and content options that are offered as monthly rate add-ons or via pay-per-use pricing. While most of these service plans and pricing elements are not subject to any form of rate regulation, it is entirely appropriate and necessary that they be presented to consumers in a transparent and understandable format, and that pricing and service availability be uniform across all of the post-acquisition Verizon service areas in the state *irrespective of the level of competition that may be present in any specific area*.

Low-Income and low-cost broadband plans

138. One of the specific "benefits" enumerated by Verizon in support of this acquisition was the expansion of low-income broadband pricing by making such services already being offered elsewhere by Verizon available to qualifying Frontier customers in California. However, some of the "Verizon Forward" low-income pricing plans that Verizon now offers require that the customer also purchase other services from Verizon in order to qualify for these plans,[166] and still

166. *See*, https://www.verizon.com/discounts/verizon-forward/?cmp=KNC_H_P_COE_GAW_FiOS_99_99_BP-15621458569&abr=CMOGBRPLUS&c=A005126&gclsrc=aw.ds&gad_source=1&gclid=Cj0KCQjwzrzABhD8ARIsANlSWNMkySn_T-5G5ibHo83mHSx1QSV6lLnjUwuIKT1wIxio7iagwBoN4xkaAoPrEALw_wcB "Verizon Home Internet includes 5G Home, LTE Home and Fios internet. Availability varies. Verizon Forward: Approved verification documents required. Discount applied w/in 1-2 billing cycles after eligibility requirements are met. Subject to credit approval. One discount per eligible Verizon account. SG Home I LTE Home: 5G Home or LTE Home at $20/mo for eligible residential customers who qualify for Verizon Forward and combine home internet service with postpaid mobile unlimited plan that includes 5G Ultra Wideband. Fios: Fios 300 Mbps at $20/mo for eligible residential customers who qualify for the Verizon Forward and Lifeline. $99 setup charge appl ies. Lifeline: Quali fications for the lifel ine discount program vary by state. Only eligible customers may enroll. One Life line discount per household."

fall well short of the 100/20 data rate that the CPUC now considers to the be minimum standard for broadband. Moreover, Verizon's $20 monthly rate for this service is higher than the $15 rate that is available in New York pursuant to the state's *Affordable Broadband Act* , which provides service at the 25/3 datarate. It is entirely reasonable for the Commission to require (1) that Verizon agree to offer a stand-alone $20 low-income broadband service at 100/20 with no requriement to purchase any other service, and (2) that Veizon also offer the same $15 New York price for a 25/3 low-income service, also on a stand-along basis, as conditions for approval of this transaction.

139. Additionally, Verizon should be required to offer one or more low-priced wireline broadband service options more generally, available to all customers irrespective their income level. Such plans can be differentiated from the "standard" offerings with respect to such attributes as data rates (speeds) and aggregate volume of usage, among other things.

Open Access Fiber

140. In this testimony, I have devoted considerable attention to the potential anticompetitive effects of the transaction, including in particular the effects of the vertical integration that would result and that would enable Verizon to discriminate against wireless and other rivals with respect to transport and backhaul services that Frontier currently providers to Verizon and to Verizon's competitors. Under § 854(b)(3), the Commission cannot approve this transaction if it determines that it would result in diminished competition. The requirement for nondiscriminatory treatment of wholesale services as proposed by Cal Advocates would certainly help to overcome the anticompetitive effects of this transaction.

Transition Plan

141. As I have discussed in this testimony, the transition from Verizon to Frontier following the 2016 divestiture was anything but smooth, and resulted in extensive hardships and disruptions affecting a large swath of Frontier's customers in California. The Joint Applicants have made assurance that this time will somehow be different, but the Commission (and, for that matter, the FCC) had received similar assurances back in 2015 prior to the Frontier takeover. History is not on the Joint Applicants' side here, and the imposition of specific – and substantial – financial penalties for problems that may arise during the transition is an entirely appropriate condition for approval of the transaction.

Performance Bond

142. Finally, Cal Advocates is recommending that as a condition for approval of this transaction, Verizon agree to post a *performance bond* or letter of credit to assure that, in the event that any one or more of the other conditions are not satisfied at the level and in the manner agreed to by Verizon, the Company be subject to substantial financial penalties, backed by a guaranteed source of payment. Once again, history is not on the Joint Applicants' side here. For example, and as I have discussed in this testimony, as a condition for approval of the 2016 divestiture of Verizon's California ILECs to Frontier, the Commission had required that Frontier meet the then-extant GO 133 service quality standards for two months before the transaction could be completed. Frontier did indeed meet this requirement in February and March of 2016, and so the transaction was allowed to go forward on April 1, 2016. However, this spike in Frontier's service quality performance was a one-time event, and from April 2016 onward it was

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never again achieved. Promises and "commitments" that are not backed by substantial financial penalties are often not worth very much.

CONCLUSION

The Joint Applicants have failed to demonstrate any "short-term and long-term economic benefits to ratepayers" that will result from the proposed Transaction.

143. Based upon the foregoing discussion and analysis, I do not believe that the Joint Applicants have demonstrated any short-term and long-term economic benefits to ratepayers that would result from the proposed Transaction, thus failing to satisfy the threshold finding that the Commission is required to make pursuant to PU Code §854(b). The same Joint Applicants here have advanced similar "economic benefits" claims in two previous change-of-control applications before the CPUC – the Bell Atlantic/GTE merger in 1999, and the Verizon divestiture of its former GTE California operations to Frontier in 2015. The Commission was assured, in 1999, that the economies of scale and adoption of "best practices" that would result from the joining of Bell Atlantic and GTE would be substantial and would flow to ratepayers. But within a few years, Verizon began offloading its former GTE operations and even sold four former Bell states, and failed to migrate the former GTE ILECs' various operations support systems and other information technology platforms to those in use by the Bell Atlantic companies. Then in 2015, the Commission was assured that separating the former GTE ILECs from Verison would result in large annual cost savings by eliminating hundreds of millions of dollars in overhead cost allocations that were being imposed by Verizon corporate on these ILECs. Yet even before the record in that 2015 case was closed, Frontier's CFO conceded that no net savings would actually be realized due to the increased cost of capital that the Frontier ILECs would confront once separated from Verizon. And, of course, a few years later, Frontier

filed for Chapter 11 bankruptcy protection. Now in the present case, we're back on the "economies of scale" claim.

144. The specific "economic benefits" being ascribed to the present Transaction mainly fall into two broad categories – (1) Verizon's ability to offer new services and better pricing, and its ability to offer "bundles" of wireline broadband and wireless mobile services; and (2) Verizon's greater financial strength that would enable it to expand Frontier's existing fiber infrastructure.

145. The various "new services" and "bundling of services" that Verizon would presumably bring to California ratepayers do not qualify as § 854(b) "economic benefits" because Frontier is fully capable of offering exactly the same services and bundles on its own, without having to merge into Verizon. The Joint Applicants point to similar bundles of broadband and mobile that are being offered by cable MSOs like Comcast and Charter, and suggest that Frontier is at a severe competitive disadvantage without the ability to also provide these types of bundles. But just like Frontier, the cable companies do not own, are not owned by, nor are affiliates of, any facilities-based mobile wireless CMRS carriers; their "bundles" are created under MVNO contracts with wireless carriers. *Frontier is certainly capable of entering into similar MVNO contracts with wireless carriers without merging with Verizon*. And Verizon's claims about its increased ability to support further fiber investment in California is also largely vacant, since Frontier has already met *and exceeded* ifs 2026 fiber buildout commitments without Verizon's financial help, and Verizon has offered no specific commitments as to any additional fiber buildouts that it would actually undertake in California if the merger is approved.

~~146. The Assigned Commissioner has determined that § 854(b)(2) applies to this change of control application because the Commission clearly has ratemaking authority with respect all three of the Frontier ILECs that would be included in the Verizon acquisition. However, he has declined to requires that the benefits sharing requirements of § 854(b)(2) be imposed on this acquisition "at this time." Verizon has identified a total long-term economic benefit *to its shareholders* in the form of $500-million per year in earnings accretion. I have calculated the California ILECs' share of that $500-million by applying ratios of the Total Revenues for the California ILECs to Total Revenues of Frontier Parent for the same time period (the first six months of 2024 in this case), and a second ratio of the Total Assets of the three California ILECs to the Total Assets of Frontier Parent, as of the same point in time (June 30, 2024 in this case). Using this method, I conclude that were the economic benefits sharing requirement of § 854(b)(2) to be applied in this case, the minimum allocation of those benefits to ratepayers would fall in the range of **<<BEGIN JOINT APPLICANTS CONFIDENTIAL>>** $ to $ **<<END JOINT APPLICANTS CONFIDENTIAL>>** If the Commission approves the proposed acquisition, it should apply the sharing requirements of § 854(b)(2) as the only means to ensure that the requirements of § 854(b)(1) are satisfied and that California ratepayers are provided with substantive short-term and long-term economic benefits. This could be accomplished in the form of a direct surcredit on customers' bills, or recognized as the ratepayer share of economic benefits that is achieved through the types of conditions for approval that Cal Advocates is recommending, including the additional fiber buildouts to presently unserved areas and other conditions as discussed in Mr. Duffy's testimony.~~

147. If the Commission is unable to actually identify any "short-term and long-term economic benefits" that are strictly and directly attributable to the proposed Transaction – and there aren't any – then it cannot – and certainly should not – make the finding that is required by § 854(b)(1). The only way in which § 854(b)(1) can be satisfied is through specific – and fully enforceable – conditions that the Joint Applicants would accept in exchange for approval of the Transaction. These conditions must, however, result in measurable and quantifiable economic benefits.

The combination of Verizon's wireless services with Frontier's broadband fiber network has the potential to diminish competition for broadband access within Frontier's ILEC operating areas in California.

148. The merger of Frontier into Verizon has both horizontal as well as vertical aspects. With respect to their wireline voice and broadband services, Frontier and Verizon for the most part serve non-overlapping geographic territories, although Verizon does compete with Frontier in the California business services market using the network assets and customer base that it had acquired from its merger with MCI. More importantly, however, Verizon operates a national wireless business – Verizon Wireless – that does compete with Frontier's wireline services *in California*. Wireline and wireless services are substitutes, although less than perfect, substitutes. While they support a number of similar functions, each offers features that the other does not. Wireline voice services have largely been supplanted by mobile wireless phones, and even most households that still retain their wireline voice service also have wireless phones. For broadband, however, fixed wireline provides a more reliable, and generally faster, broadband connection than fixed wireless broadband access. Verizon's fixed wireless broadband access is currently available to 83.7% of the households within Frontier's California ILEC footprint.

Thus, the extent to which Verizon and Frontier compete directly with one another in the California broadband market is far greater than the level suggested by Dr. Aron. This merger would thus eliminate one broadband competitor for some 83.7% of the residential market within the existing Frontier operating areas.

149. If the Transaction is approved, Verizon will be able to integrate its wireless assets with Frontier's extensive fiber transport and FTTP buildout, and is likely to expand its FWA offerings throughout what is now the Frontier service area. To whatever extent other facilities-based CMRS carriers that compete with Verizon (i.e., AT&T Mobility and T-Mobile) currently purchase fiber-based transport and backhaul services from Frontier, Verizon would be in a position to restrict its competitors' access to the Frontier fiber assets, which could have the effect of diminishing wireless competition within the then-former Frontier footprint to the extent that Verizon limits competitors' access to the Frontier fiber or raises the prices it would charge for such access. Although Dr. Aron attempts to assure the Commission that this won't happen, that competing telecommunications providers always cooperate with one another and play nice, from statements made by the most senior Verizon officials it is apparent that Verizon places considerable value on *owning* these facilities rather than continuing to lease their use from Frontier. As I have discussed above, T-Mobile's actions to deny Dish access to its LTE network despite having agreed to allow it for a minimum of three years following Dish's acquisition of Sprint's prepaid business, is an example of precisely the type of tactic that would be available to Verizon *vis-à-vis* its CMRS rivals. The potential for such conduct is a legitimate competitive concern, and Dr. Aron's assurance that it won't happen simply does not provide anything close to adequate protection. If the Commission determines that the proposed Transaction should be

approved, it should impose, as conditions for approval, strict requirements that Verizon make the Frontier fiber assets available on a nondiscriminatory basis to other wireless and wireline service providers.

DECLARATION

I declare under penalty of perjury that the foregoing statements are true and correct to the best of my knowledge, information and belief, and if called to testify thereon I am prepared to do so.

LEE L. SELWYN

Executed at Boston, Massachusetts
this 29th day of April, 2025.