Decision **PROPOSED DECISION OF ALJ BEMESDERFER** (Mailed 11/6/2015)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the 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.	Application 15-03-005 (Filed March 18, 2015)

PROPOSED DECISION GRANTING APPLICATION SUBJECT TO CONDITIONS AND APPROVING RELATED SETTLEMENTS

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PROPOSED DECISION GRANTING APPLICATION SUBJECT TO CONDITIONS AND APPROVING RELATED SETTLEMENTS

Summary

We grant the joint application of Frontier Communications Corporation, Frontier Communications of America, Inc., Verizon California Inc., Verizon Long Distance, LLC., and Newco West Holdings, LLC., for approval of the sale and transfer of Verizon California, Inc. together with certain assets held by it and the customer accounts of Verizon Long Distance, LLC., in the service territory of Verizon California, Inc., to Frontier Communications Corporation. We impose certain conditions on the sale and transfer of the described property and we also approve various related settlements between Frontier Communications Corporation and protesters.

1. Factual Background

On March 18, 2015, Frontier Communications Corporation (Frontier), Frontier Communications of America, Inc., (U 5429 C) (Frontier America), Verizon California Inc., (U 1002 C) (Verizon California), Verizon Long Distance, LLC., (U 5732 C) (Verizon LD), and Newco West Holdings LLC., (collectively, Joint Applicants) filed this application for Commission approval of the sale and transfer of Verizon California, certain assets held by Verizon California, and Verizon LD's customer accounts in Verizon California's service territory to Frontier (the Transaction). Verizon California and Verizon LD are sometimes collectively referred to as "Verizon." Upon approval of the Transaction, approximately 2.2 million customers of Verizon California will become customers of Frontier. Certain customers of Verizon LD will become customers of Frontier America. The assets to be transferred include, in addition to the

customer accounts, the physical assets of Verizon California such as poles, wires, switches, trucks, central offices and the like.

Frontier, a publicly-traded corporation, is a full-service wireline communications company and the fourth largest incumbent local exchange carrier (ILEC) in the United States. It provides an array of communications and broadband services—including local and long-distance voice, broadband data, and video—through its wholly-owned operating companies. The company also provides interconnection services to wholesale customers. Frontier serves more than 3.5 million residential and business customers and has over 2.3 million broadband customers in rural, small and medium-sized towns and cities in 28 states. Frontier currently operates two Incumbent Local Exchange Carriers (ILECs) in California: Frontier Communications of the Southwest Inc., and Citizens Telecommunications Company of California Inc., d/b/a Frontier Communications of California. These companies serve approximately 100,000 customers in 62 exchanges and offer local voice service, vertical services, broadband service, wholesale services, switched and special access services. Frontier also has three other telecommunications subsidiaries in California, that offer long distance services: Frontier America, and Frontier Communications Online and Long Distance Inc., and SNET America, Inc.

Verizon California holds a Certificate of Public Convenience and Necessity (CPCN) to provide local exchange service in California, primarily in Southern California, and has approximately 2 million lines in service today in 266 exchanges. Verizon California is an ILEC in those exchanges, and it also holds a competitive local exchange carrier (CLEC) authority to operate in AT&T's service territory, granted pursuant to Decision (D.) 95-12-057. It is also a carrier of last resort (COLR) per D. 99-09-066. Verizon California is an indirect,

wholly-owned subsidiary of Verizon Communications, Inc., a publicly traded holding company. Verizon LD holds a CPCN to provide interexchange services in California pursuant to D.97-02-011. Verizon LD is an indirect, wholly owned subsidiary of Verizon Communications, Inc.

Newco West Holdings LLC (Newco) is an indirect wholly-owned subsidiary of Verizon Communications, Inc. formed in connection with the Transaction.

On April 27, 2015 the Application was protested by the Center for Accessible Technologies (CforAT), The Greenlining Institute (Greenlining), The Utility Reform Network (TURN), Communication Workers of America (CWA) and the Commission's Office of Ratepayer Advocates (ORA). On the same date, Cox California Telcom LLC (Cox) and the California Association of Competitive Telecommunications Companies (CalTel) filed responses to the Application and O1 Communications Inc., (O1) filed a motion for party status. On May 7, 2015, Joint Applicants filed a reply to the protests.

1.1. Procedural Background

On June 5, 2015, the Administrative Law Judge (ALJ) issued a ruling setting a series of workshops and Public Participation Hearings (PPHs) to be held throughout Verizon's California service territory during the months of July and August 2015.

On June 10, 2015, the assigned ALJ and the assigned Commissioner jointly presided over a pre-hearing conference (PHC). At the PHC, the parties discussed the potential scope of the proceeding. On June 24, 2015, the ALJ and the assigned Commissioner issued a Scoping Ruling. On July 2, 2015, the assigned Commissioner issued an Amended Scoping Ruling that added nine additional items to the scope of the proceeding. From July 6, 2015 to August 21, 2015,

transcribed PPHs took place at 11 different locations in or near Verizon California's service territory, ranging from rural areas in Humboldt County, to urban and suburban areas in the greater Los Angeles and Palm Springs areas, to mid-sized communities along Route 395. The 11 locations were as follows, in chronological order: Garberville, Hoopa, Weitchpec, Orleans, Rancho Mirage, Claremont, Santa Clara, Long Beach, Santa Barbara, Ridgecrest, and Mammoth Lakes. At 10 of these locations, there were associated site visits, during which the parties viewed specific portions of Verizon's network, including central offices, remote terminals, and other facilities. At these 10 locations, there were also transcribed workshops devoted to describing what the parties saw during the site visits, and addressing other designated topics or general observations related to the issues in the Amended Scoping Memo.

On July 3, 2015, the Commission requested an advisory opinion from the Attorney General regarding the Transaction and its effect on competition, as required by § 854(b)(3) of the Public Utilities Code.

In a letter dated July 27, 2015, CWA notified the assigned Commissioner and the ALJ that it had reached a collective bargaining agreement with Frontier, supported Commission approval of the Transaction, and was suspending its active participation in the proceeding.

On August 20, 2015, the ALJ issued a ruling directing Verizon to prepare "a comprehensive report on the current condition" of the Verizon network. That same ruling set Evidentiary Hearings (EHs) devoted to addressing the condition of Verizon's network. Verizon served the network report on the parties on September 18, 2015. It was sponsored by four witnesses: Mr. Creager, Mr. Poteete, Mr. Stinson, and Mr. Maguire, Verizon executives and managers with detailed knowledge of Verizon's network. The hearing to address the state

of Verizon's network took place on September 24, 2015, following which the matter was deemed submitted.

On September 4, 2015, Frontier, CalTel, O1 and Paetec Communications Inc. (Paetec) filed a motion for adoption of a partial settlement agreement (Joint CLEC Settlement). CalTel, O1 and Paetec are collectively referred to hereafter as "Joint CLECs." The partial settlement agreement resolved numerous differences between Frontier and the Joint CLECs regarding the manner in which Frontier will relate to Joint CLECs after the closing, but left two issues unresolved: (1) whether the Commission should gather information regarding the physical condition of Verizon California's network to determine whether Verizon should be ordered to rehabilitate the network facilities or adopt other remedies to address service quality, wholesale performance, and copper retirement issues and concerns; and (2) whether the Commission should require Frontier to file and make available for opt-in on a non-discriminatory basis agreements relating to the exchange of Internet Protocol (IP)-to-IP traffic (interconnection), including agreements (written or unwritten) that it is assuming between the Verizon California and Verizon Wireless, Verizon CLEC affiliates, any other Verizon subsidiary or affiliate, and/or with any third party. A copy of the Joint CLEC Settlement is attached to this decision as Appendix A.

On September 8, 2015, Frontier and Cox filed a joint motion for acceptance of a settlement agreement (Cox Settlement). The Settlement Agreement settled all issues between Frontier and Cox. A copy of the Cox Settlement is attached to this decision as Appendix B.

On September 9, 2015, Entravision Communications Corporation (Entravision) filed a motion for party status which motion was granted by an ALJ Ruling on September 20, 2015.

On September 22, 2015, Frontier and Greenlining entered into a Memorandum of Understanding that resolved all outstanding issues between them (Greenlining MOU). A copy of the Greenlining MOU is attached to this decision as Appendix C.

On October 12, 2015, the Commission received from the Attorney General the previously requested advisory opinion regarding the Transaction (AG Opinion). The AG Opinion found that the Transaction had no adverse impact on competition. A copy of the AG Opinion is attached to this decision as Appendix D.

On October 23, 2015, Frontier and California Emerging Technology Fund (CETF) entered into a Memorandum of Understanding (MOU) addressing a variety of broadband related issues (CETF MOU) and filed a joint motion for acceptance of the MOU and withdrawal of CETF's previously filed objections to the Transaction. A copy of the CETF MOU is attached to this decision as Appendix E.

On October 30, 2015, Frontier entered into a partial settlement agreement (Joint Protesters Settlement) with ORA, TURN and CforAT (Joint Protesters). The Joint Protesters Settlement settled all issues between TURN and CforAT and Frontier and all but one issue between ORA and Frontier. It was accompanied by a motion for acceptance of the settlement. A copy of the Joint Protesters Settlement is attached to this decision as Appendix F.

1.2. Jurisdiction

Joint Applicants contend that the sole matter before the Commission is the indirect transfer of control of Verizon California to Frontier. Indirect transfers of control of licensed public utilities are governed, in the first instance, by § 854 of the Public Utilities Code.

Public Utilities Code § 854(c) lays out a standard of review ("in the public interest") and certain specific requirements that apply to the proposed transaction. Joint Applicants acknowledge that because Verizon California has gross annual California revenues exceeding $500 million, the Transaction is subject to Public Utilities Code §§ 854(b) and 854(c). Under § 854(b), the Commission considers the Transaction's short-term and long-term economic benefits to ratepayers as well as the Transaction's effect on competition. Under § 854(c), the Commission considers the Transaction's compliance with eight additional requirements. In determining whether the transaction is in the public interest under § 854(c), the Commission "need not find that each criterion is independently satisfied," but it must find that, "on balance . . . [the transaction] is in the public interest."[1] The specific criteria include whether the Transaction will: (1) maintain or improve the financial condition of the resulting utility; (2) maintain or improve the quality of service to ratepayers; (3) maintain or improve the quality of management of the utility; (4) be fair and reasonable to affected utility employees, both union and nonunion; (5) be fair and reasonable to the majority of utility shareholders; (6) be beneficial on an overall basis to state and local economies, and to the communities in areas served by the utility; (7) preserve the jurisdiction of the Commission and the capacity of the Commission to effectively regulate and audit the utility; and (8) provide mitigation measures to prevent significant adverse consequences that may result from the transaction.

Protesters argue that the Commission also has the authority and the obligation to review the implications of the Transaction on the deployment of

[1] D.00-03-021, 5 CPUC 3d 156, 209 (Mar. 2, 2000).

broadband Internet in California.[2] Although § 710 of the Public Utilities Code[3] explicitly exempts Voice-over Internet Protocol (VoIP) and other Internet-enabled services from Commission jurisdiction, it contains an exception in favor of express delegations of regulatory authority. Protesters argue that the requisite express delegation can be found in § 706(a) of the Federal Telecommunications Act, which has recently been the subject of an extended interpretation by the D.C. Circuit the case of Verizon vs. FCC, 740 F. 3d.723 (2014). There, the court held that the Federal Communications Commission (FCC) had correctly interpreted § 706(a) as a grant of regulatory authority on which its proposed Open Internet rules could be based. Since the regulatory authority granted by § 706(a) extends to state commissions as well as to the FCC, protesters argue that it provides a basis for Commission consideration of the implications of the Transaction for broadband deployment in California notwithstanding the prohibitions of Pub. Util. Code § 710.

2. Issues Before the Commission

Joint Applicants assert (and protesters dispute) that the Transaction complies with all the requirements of §§ 854(a), (b), and (c) of the Public Utilities Code and should be approved without conditions. Although they dispute the authority of the Commission to review the Transaction under the express authority granted to it by § 706(a) of the federal act, they argue that approval of the Transaction will enhance the deployment of broadband Internet throughout

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[2] *See*, for example, the Protest of the Office of Ratep[ayer Advocates, at 5-13.

[3] "(a) The commission shall not exercise regulatory jurisdiction or control over Voice Over Internet Protocol and Internet Protocol enabled services except as required or expressly delegated by federal law or expressly directed to do so by statute…"

the Verizon service territory and in particular will enhance its deployment to presently unserved or underserved communities. In the balance of this Section 4, we summarize those portions of the Application that set out Joint Applicants' positions with respect to compliance with each of the requirements of Public Utilities Code Sections 854(a), (b), and (c), together with those portions of the Application dealing with its effects on broadband deployment. We then enumerate the protester's objections to the Transaction and their suggested conditions to be imposed on approval.

2.1. Joint Applicant's Positions Regarding Compliance with Applicable Provisions of the Public Utilities Code

2.1.1. Economic Benefits of the Transaction § 854(b)(1)

a. Enhanced Operational Efficiency and Financial Strength of Frontier

Joint Applicants assert that consistent with Public Utilities Code § 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.

b. Enhanced Broadband Deployment in California

Joint Applicants assert that, to the extent that it can, Frontier will utilize the California Advanced Services Fund (CASF) and the Federal Connect America Fund (CAF) programs, coupled with its own investment, to expand and enhance broadband services in the Verizon California service areas. In this connection, Joint

Applicants point to Frontier's record of expanding broadband availability in rural areas of California that it presently serves through the use of five prior grants of CASF funds. With respect to CAF funding, the Application asserts that if the Transaction is approved, Frontier will be eligible to receive more than $200 million in CAF funds over the next six years to bring advanced telecommunications services to specified underserved areas in the Verizon service territory.

2.1.2. Allocation of the Economic Benefits of the Transaction § 854(b)(2)

Joint Applicants assert that, pursuant to previous decisions of the Commission, the allocation of economic benefits of the transaction will be determined by the operations of the competitive marketplace.

2.1.3. Effects of the Transaction of Competition § 854(b)(3)

Joint Applicants assert that the Transaction will not adversely affect competition. First, none of the local Verizon California exchanges being acquired by Frontier in the Transaction overlaps with any of Frontier's existing exchanges and of 266 Verizon California exchanges being transferred, only three small rural exchanges are adjacent to Frontier's existing exchanges. Second, Frontier and Verizon California do not compete for customers today in any of the affected exchanges in California. Third, prior to the Transaction, Frontier had no plans to expand its operations into the territory of Verizon California. Thus, the Transaction will neither adversely affect competition nor reduce the number of competitors in the affected territories nor eliminate the possibility of a future new competition.

2.1.4. Public Interest Factors § 854(c)

Pursuant to § 854(c), the Commission must consider seven statutory criteria and find, on balance, that the merger, acquisition, or control proposal is in the public interest." Section 854(c) does not require the Commission to find that each of the seven criteria is met on its own terms.

a. Financial Condition § 854(c)(1)

Joint Applicants assert that the Transaction will maintain or improve the financial condition of both Verizon California and Frontier. Frontier is a financially sound company that in 2014 had adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) of approximately $2.1 billion on sales of $4.8 billion, with an adjusted EBITDA margin of approximately 43.7 percent. At the end of 2014, the company had more than $1.4 billion in cash and credit available. In addition, the Verizon operations are being acquired on attractive terms. Net of approximately $1.9 billion in tax benefits arising from the structure of the Transaction as an asset purchase, the $10.5 billion purchase price suggests an estimated 3.7x multiple based on 2014 estimated pro forma Day 1 EBITDA. Frontier estimates that the Verizon operations associated with the Transaction will generate approximately $5.8 billion in revenues and approximately $2.3 billion in EBITDA. The EBITDA estimate includes $525 million of Verizon-allocated costs that will be eliminated or replaced with the company's lower-cost structure. The company expects to achieve another $175 million in annualized cost savings by the end of the third year of operation after closing, resulting in approximately $700 million in total annualized operating cost savings across the Frontier operations, which is expected to strengthen the company financially. In the first full year of operations after closing, the Transaction is anticipated to be accretive to Frontier's total free cash flow and to free cash flow per share, which means that Frontier will have more operating flexibility and potentially improved access to capital.

The following table provides a summary of high-level financial metrics for Frontier on a standalone basis and *pro forma* for the proposed Transaction, excluding certain Verizon allocated costs that are not transferring

to Frontier and including estimated full-year results for the 2014 transaction in Connecticut.

Summary Frontier Standalone and Pro Forma Financial		
Statistics	**Frontier Alone**	**Frontier + Verizon**
Revenue	**$5.87B**	**$11.66B**
EBITDA	**$2.57B**	**$4.89B**
Debt to EBITDA	**3.7X**	**3.8x**

Under the ratings-agency guidelines and based on the company's overall financial profile and increased scale, Frontier expects to maintain its current corporate credit and unsecured debt ratings. Moody's Investors Service (Moody's) affirmed Frontier's corporate credit rating following the public announcement of the Transaction. In its rating action, Moody's stated that it expects Frontier's cash flow profile to meaningfully improve following this Transaction and projects that the cash flow increase will improve Frontier's financial flexibility to invest in its network and offer services to its customers.

b. Service Quality § 854(c)(2)

Joint Applicants assert that existing customer services will not be discontinued or interrupted as a result of the Transaction and the Transaction will not have any adverse impacts on wholesale service customers in California. Frontier will retain all existing obligations under Verizon California's current interconnection agreements and other existing contractual arrangements, in addition to the federal and state statutory and regulatory obligations applicable to all ILECs. Frontier also expects to bring its new California customers the customer service enhancements it has implemented in other markets, like expanded customer service hours, shorter scheduling windows for in-home appointments, and call reminders and follow-up calls for service appointments.

c. Quality of Management § 854(c)(3)

Joint Applicants assert that Frontier has significant managerial capability and experience, with a strong and proven management team that has successfully and effectively acquired, developed, and supervised the company's operations in 28 states with an exclusive concentration on wireline telephony. In the past decade, Frontier has acquired more than 6 million customer lines from other carriers and has successfully integrated them into the Frontier system and in most instances, upgraded services in the process. Frontier intends to follow a similar path with regard to Verizon's California customers.

d. Impact on Employees § 854(c)(4)

Joint Applicants report that Frontier has entered into a labor agreement with the CWA as a result of which CWA has withdrawn as a party to this Transaction and supports it. For management and hourly employees who are not represented by unions, Frontier has agreed, for no less than one year following the closing, to maintain at least the same rate of base salary, as well as annual bonus opportunities at the current targeted level. As an inducement to CWA to enter the labor agreement, Frontier has granted all union employees 100 shares of Frontier restricted stock upon the closing of the Transaction.[4] In addition, Frontier has agreed to provide management and hourly non-union employees, for at least one year following the closing, with benefits that are substantially comparable in the aggregate to: (1) the benefits that were being provided by Verizon to such employees prior to closing; or (2) to the benefits Frontier provides to its similarly-situated employees.

[4] Rebuttal Testimony of Kathleen Abernathy on behalf of Frontier Communications Corporation at 47.

Moreover, all employees who transfer to Frontier will receive credit from Frontier for their time of service with Verizon and Frontier will credit each employee with accrued but unused vacation time and other time-off benefits at the same level earned at Verizon California at the time of the closing. For all employees with Verizon pensions who continue employment with Frontier after the closing, pension benefits will be transferred from the applicable Verizon pension plans (designated in the parties' agreement) to new plans at Frontier that are identical in all material aspects to the corresponding Verizon plans.

e. Impact on Public Utility Shareholders § 854(c)(5)

Joint Applicants assert that the Transaction will be fair and equitable to Verizon's and Frontier's shareholders. Frontier's and Verizon's boards of directors have concluded that the Transaction is in the interest of the shareholders of the respective companies.

f. Impact on State and Local Economies § 854(c)(6)

Joint Applicants assert that the Transaction will benefit the local economies served by Verizon through Frontier's expansion of its program of hiring local management.

g. Impact on Commission Jurisdiction § 854(c)(7)

Joint Applicants assert that the proposed Transaction will not affect the Commission's regulatory jurisdiction. Verizon California will remain, post-closing, a distinct corporate entity and a "telephone corporation" subject to the Commission's jurisdiction. Verizon California is currently regulated under Uniform Regulatory Framework and this will continue after the Transaction. Frontier's two ILECs are regulated under the same framework. This will not change after the Transaction. The Transaction will not change Frontier's participation in California's Universal Service Public Policy Programs including the California High-Cost Fund-B, the

California Teleconnect Fund and the California Deaf & Disabled Telecommunications Program and CASF. All affected entities subject to the Commission's jurisdiction will continue to operate in compliance with the Commission's policies, rules and regulations.

h. Required Mitigation Measures § 854(c)(8)

Joint Applicants assert that no mitigation measures are necessary under § 854(c)(8) in order for the Commission to find that the merger is in the public interest.

2.2. Protester's Proposed Mitigating Conditions

In their Reply Testimony, Protestors proposed that the Commission impose a total of 53 mitigating measures on the Transaction as conditions of approval. The following chart summarizes the number and type of such conditions:

Type of Condition	Number	Parties Proposing Conditions
Financial Commitments	5	ORA, CETF, Greenlining
Pricing Commitments	7	TURN, CETF
Investment Requirements	4	ORA, TURN, CETF
New Operational Requirements	19	ORA, TURN, CforAT
New Reporting Requirement	19	ORA, TURN, CforAT
Total Proposed Conditions	53[5]	

In addition to these conditions contained in their Reply Testimony, protesters proposed additional conditions in their Supplemental Reply Testimony. In particular, ORA proposed several additional conditions

[5] *Ibid.* at 18.

relating to backup power for remote terminals in Verizon's wireline network.[6] TURN proposed new conditions relating to financial commitments[7] and new reporting requirements.[8] Entravision proposed several new conditions relating to operational and reporting requirements, including conditions that would require Frontier to target new broadband services to minority neighborhoods and increase the availability of diverse programming.[9] Below we summarize the conditions proposed by each protester.

2.2.1. Center for Accessible Technology

a. Verizon must take physical and/or financial responsibility to bring their existing facilities up to minimum standards to provide basic service at a satisfactory level.[10]

b. Frontier should provide customer communications, including its website and standard print material in electronic format, Braille, audio and large print. All standard print material should include key information in large print (minimum 14 point sans serif font) and explain how a customer could follow up with further inquiries.[11]

c. All contacts with customer service should be available through traditional relay service, video relay service, or via TTY to aid those customers with hearing impairments.[12]

d. The carrier's web presence must be designed in accordance with web accessibility standards, namely WCAG 2.0 AA.

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[6] Supplemental Testimony of Enrique Gallardo on behalf of the ORA at 1-3.

[7] Supplemental Testimony of David Brevitz on behalf of TURN at 14.

[8] Supplemental Testimony of Susan M. Baldwin on behalf of TURN at 37-38.

[9] Supplemental Testimony of Marcello Gaeta-Tapia on behalf of Entravision at 7-9.

[10] Reply Testimony of Dimitri Belser on behalf of the CforAT at 4.

[11] *Id.* at 15.

[12] *Ibid.*

This obligation should include a timeline for compliance and outreach to customers in order to inform them about the availability of accessible format material.[13]

e. Frontier must take steps to improve battery backup power systems and the customer education process, specifically taking into consideration the needs of customers with disabilities.[14]

2.2.2. Joint Minority Parties

a. Frontier should be required to report data on compliance with GO-156 goals and at a minimum maintain the level of diversity currently achieved at Verizon for the potential Frontier territory. [15]

b. Low-cost, stand-alone internet service with a minimum of 10 megabits per second (Mbps) download and 1 Mbps upload should be made available to all customers of the potential Frontier territory, or at least to their low-income customers with household incomes less than or equal to 150% of federal poverty level.[16]

c. The Lifeline program should be expanded and improved, and offered with expanded eligibility requirements. Frontier should set goals to enroll 50% of eligible households in Lifeline and low-cost internet, and submit detailed plans on how it will achieve enrollment goals.[17]

2.2.3. Cox California Telecom, LLC

a. The Commission should require Frontier to (a) enter into stand-alone conduit agreements; (b) include rates in pole attachment and conduit occupancy agreements that are

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[13] *Id.* at 6-7.

[14] *Id.* at 15.

[15] Reply Testimony of the Joint Minority Parties at 6-7.

[16] Id.

[17] Id.

consistent with applicable law; (c) include terms in pole attachment and conduit occupancy agreements that allow Cox to supplement initial applications to cover any additional service drops that the Cox Companies deem necessary at the time of installation (and to update on a quarterly basis if the number of service drops exceeds the number set forth in the application); and (d) not include any terms and conditions that are unnecessary, burdensome, unfair and/or otherwise anti-competitive.[18]

b. Cox should not suffer from any adverse consequences due to it being required to use Frontier's Operational Support System (OSS). Cox should have an assurance that Frontier's OSS will accept and timely process all order types that Cox today submits to Verizon California to ensure that Cox can efficiently continue to effectively compete in the Verizon California service territory.[19]

c. The Commission should ensure that Frontier's and Verizon California's cut over plans are satisfactory and that Frontier and Verizon California will be responsible for any resulting disruptions and harm that their competitors incur and for which they may seek relief.[20]

d. Cox seeks an assurance that Frontier will place Cox's Local Service Request (LSR) orders in complete status within three business days of Frontier porting the given telephone number.[21]

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[18] Reply Testimony of Sandra Sigmund on behalf of Cox California Telecom, LLC at 15.

[19] Reply Testimony of K. T. Burton on behalf of Cox California Telecom LLC at 6.

[20] *Id.* at 7.

[21] *Id.* at 11.

2.2.4. XO Communications Services, LLC

a. The Commission should require that the pending disputes and billing issues between XO and Verizon be resolved prior to permitting the transaction to close.[22]

b. Any specific conditions the Commission imposes regarding the resolution of pending disputes should (a) require Verizon and Frontier to expressly consider how pending billing disputes will be handled after the transaction closes; (b) ensure that the relevant "institutional knowledge" on Verizon's part regarding the pending disputes is not lost when the transaction closes; (c) create financial incentives for Verizon and Frontier to deal with the pending disputes promptly and fairly, or ensure that there are no incentives for Verizon and Frontier to permit or encourage delay in resolving them; and (d) create financial incentives for Verizon and Frontier to significantly improve the accuracy of bills to competitors.[23]

c. Frontier should be required to provide a monthly dispute resolution report to XO and other CLEC customers that provides at a minimum the customer's claim number(s), vendor claim number(s), billing account number(s), bill date(s), circuit IDs, Universal Service Order Codes (USOCs), Passive Optical Networks (PONs), billed amount(s), dispute amount(s), credit amount(s), any denied amount(s), XO dispute notes, and Frontier's resolution notes with sufficient details explaining any denied claims.[24]

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[22] Reply Testimony of Richard Jackson on behalf of EO Communications Services, LLC at 10; Jackson Supplemental Testimony at 8.

[23] Jackson Reply Testimony at 12.

[24] *Ibid.* at 13.

d. For billing disputes that are resolved in a CLEC customer's favor, Frontier should be required to post credits and correct related billing errors within two billing cycles.[25]

e. Frontier should be required to abide by all applicable existing agreements, settlements, etc. of Verizon that govern specific products and services provided to wholesale customers, including XO, in California.[26]

f. Frontier should also be required to conduct, at a minimum, monthly and quarterly meetings with XO to discuss open dispute issues.[27]

g. Frontier should be required to begin billing for transitioned services in the next billing cycle after the closing of the transaction in California.[28]

h. Verizon should be required to apply all payments received from XO and other CLEC customers prior to open accounts receivable being transferred to Frontier.[29]

2.2.5. Entravision Communications Corporation

a. The Commission should require Frontier to target the new broadband services to minority neighborhoods. To do so, the Commission should direct Frontier to perform an analysis of unserved and underserved Californians in Verizon's service area to determine those areas with the highest concentrations of minority residents, by racial category. Frontier should target its committed broadband

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[25] Id.

[26] Id.

[27] *Id.*

[28] Id.

[29] *Ibid.* at 14.

expansion efforts to reflect the minority composition of those areas.[30]

b. The Commission should require Frontier to commit to carry programming from Latino owned and controlled content providers.[31]

c. Frontier should be required to carry audio programming services from Latino owned or controlled content providers on its music channel service offering.[32]

d. Frontier should report to the Commission on an annual basis the effectiveness of these commitments.[33]

2.2.6. Joint CLECs

a. Frontier should be required to honor existing Interconnection Agreements (ICAs) until the end of their terms, or 36 months from the close of the Transaction, whichever is later. Frontier should be prohibited from requesting negotiation of any amendment to an effective ICA (except for change of law amendments) for 36 months from the close of the Transaction. Additionally, Frontier should be required to permit any CLEC to use its existing ICA as the starting draft for negotiating a new or replacement ICA.[34]

b. Frontier should be required to honor, assume or take assignment of, in whole or in part, all obligations under existing tariffs, and to not terminate services or increase

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[30] Supplemental Testimony of Marcelo Gaeta-Tapia on behalf of Entravision at 7-8.

[31] *Id.* at 9.

[32] *Ibid*.

[33] *Ibid.*

[34] Direct Testimony of Sarah DeYoung on behalf of the California Association of Competitive Telephone Companies at 9.

wholesale tariff rates for 36-months from the close of the Transaction.[35]

c. Frontier and Verizon should be required to adjust revenue commitments and volume thresholds for CLECs with existing volume and term contracts so that wholesale customers retain the same contractual rights after the Transaction closes.[36]

d. The Commission should require Frontier and Verizon to adjust multi-state special access contacts and tariffs.[37]

e. Frontier should be required to confirm that it will be the contracting entity for these agreements following close of the transaction, and to provide any details that CLECs will need in order to ensure a smooth transition and minimize business and regulatory uncertainty.[38]

f. Frontier should be required to honor all existing (or expired but still being honored) commercial agreements until the end of their terms, or 36 months from the close of the transaction, whichever is later.[39]

g. Frontier should also be required to permit any CLEC to use its existing commercial agreement as the starting draft for negotiating a new or replacement agreement.[40]

h. Some amendments should be added to the current Cutover Plan: (i) Frontier should make available a testing environment prior to close of the Transaction so that wholesale customers can test sending orders for local

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[35] Id.

[36] Id.

[37] *Ibid.* at 10.

[38] *Ibid.* at 11.

[39] Id.

[40] *Ibid.* at 12.

services, special access, interconnection facilities and trunks, Local Number Portability (LNP) and directory listings; (ii) Frontier should provide CLECs that currently do not interface with Frontier OSS the opportunity to obtain training at no cost to the requesting CLEC.[41]

i. Frontier should be required to provide CALTEL's Executive Director, with copies of current escalation procedures, contact lists, and account manager information, and should agree in advance that she may interface with the Frontier Single Point of Contact to document and attempt to resolve generic wholesale issues.[42]

j. To ensure a smooth transition and minimize business and regulatory uncertainty, Frontier should be required to make the following commitments:

1. Frontier shall not seek to eliminate any of Verizon California's current obligations under § 251 of the Communications Act or the FCC rules implementing § 251 except pursuant to generally applicable changes resulting from court interpretations of §251 or changes to the FCC's rules. For example, Frontier shall not seek to reclassify any California wire centers as "non-impaired" or file any new petition under § 10 of the Communications Act seeking forbearance from any § 251 or dominant carrier regulation for 36-months from the date of closing.[43]

2. Frontier shall make available to any carrier requesting interconnection in an area that is not currently covered by a Verizon ICA and ICA that Frontier has interested into with a CLEC in another area in California in

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41 *Ibid.* at 14.

42 *Id.*

43 *Ibid.* at 15-16.

which it is the incumbent carrier that may be utilized by a CLEC seeking entry into such market. In the event that such ICA does not cover the exchange of intra-MTA CMRS traffic not originated by either of the parties on a local traffic basis, such provision shall be incorporated into any such ICA on any basis as is technically feasible Frontier shall also not file any requests to be characterized as a rural carrier under or pursuant to § 251(f)(g).[44]

3. Frontier will apply in California the same special construction policies and procedures that it applied in its other ILEC operating areas prior to Closing. Frontier will not assess special construction charges on any CLEC orders for which Frontier has or can reasonably anticipate any other use for itself or other carriers.[45]

4. For each colocation arrangement or power augment for which Frontier seeks to assess new build Individual Case Basis (ICB) charges (NRCs, MRCs, or both), Frontier will provide the affected CLEC with a detailed cost estimate, including inventory of each piece of equipment being purchased, construction timeline, proof that the proposed ICB charges only cover the reasonable costs attributable to the request, a statement that Frontier foresees no other use for the equipment and/or increased power capacity for itself or other collocators. A CLEC will have the right to dispute the ICB estimate via the dispute resolution process contained in its ICA.[46]

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[44] *Id.*

[45] *Id.*

[46] *Id.*

5. Upon request from a CLEC, Frontier shall directly interconnect one or more non-contiguous service areas in its California footprint, and to allow CLECs to take advantage of such direct interconnection for the purposes of leasing UNE EELs and/or exchanging traffic between the subject wire centers without requiring meet point arrangements with other ILECs.[47]
6. Frontier shall work in good faith to promptly resolve any billing disputes that were not resolved with Verizon prior to Closing.[48]

k. The Commission should require Frontier to negotiate a Performance Improvement Plan, or PIP, with CLECs so that it can be submitted as an amendment to Frontier ICAs within six months of closing.[49]

l. A number of requirements should be placed on Frontier to ensure that competitive access to copper facilities is preserved and that Frontier's incentives for favoring their own Ethernet services are not enabled.

1. Frontier should be prohibited from denying service requested by any CLEC on the grounds that no facilities are available, nor require the CLEC to pay construction charges to install fiber, if working copper is in place. Frontier should perform routine network modifications on copper facilities as necessary in order to allow the requested service to be provisioned. Before Frontier can deny any service request on the basis that no facilities are available, Frontier must have tested all spare copper facilities that terminate at the requested service location.[50]

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47 *Id.*

48 *Id.*

49 *Ibid.* at 22.

50 *Ibid.* at 30.

2. Second, Frontier should maintain a searchable database of retired copper or copper noticed for retirement. The database should contain current information of where copper has been retired or noticed for retirement.[51]

3. Third, Frontier should be required to provide notice of retirement one year in advance.[52]

4. Fourth, at least every six months, Frontier should issue a non-binding forecast of copper retirements for the next 12-24 months.[53]

5. Fifth, Frontier should be required to develop a formal plan that addresses the elimination of access to copper facilities as a result of a natural disaster or emergency. These plans should be filed with the Commission for its review (after a period of public comment) and approval. Where a disaster destroys existing copper, the Commission should require the incumbent to deploy and enable the wholesale customer to access new copper facilities or, in the event it does not deploy new copper, to provide equivalent access at the same rates, terms, and conditions to other transmission facilities for a period of at least two years.[54]

m. The Commission should provide guidance on whether the Verizon Intellectual Property (IP) Template is a template for a § 252 Interconnection Agreement. The Commission should require that each of Verizon's executed IP agreements for the exchange of voice traffic be filed so that the Commission (and not Verizon or Frontier) can determine whether the agreements are § 252 agreements;

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[51] *Id.*

[52] *Id.*

[53] *Id.*

[54] *Ibid.* at 31.

and, if so, the Commission should order Verizon (and/or Frontier) to file such agreements for approval in accordance with § 252 so that the Commission may determine whether such agreements are non-discriminatory and in the public interest and, if approved, are available for opt-in.[55]

2.2.7. Office of Ratepayer Advocates

a. Verizon should pay for repairs to any of their network assets that are not operational for the functions for which they were designed. This includes, but is not limited to, the Commission holding Verizon financially responsible for repairing all company-related facilities that were the subject of complaints reported during the proceeding's PPHs and Workshops prior to the closing of the Transaction.[56]

b. Verizon should warrant that the network assets transferred to Frontier satisfy all minimum California Public Utilities Commission (CPUC/Commission) service quality and basic service standards.[57]

c. Frontier's right-to-use license(s) with respect to any Verizon owned FiOS software, including but not limited to the Interactive Media Guide should be extended indefinitely.[58]

d. Verizon should be required indefinitely to provide Frontier with software support and maintenance comparable to what it provides to its remaining ILECs, at a reasonable cost-based price, provided that Verizon shall not be required to provide ongoing support and maintenance with respect to any software that has been

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[55] *Id.*

[56] Reply Testimony of Lee L. Selwyn on behalf of the Office of Ratepayer Advocates at vii.

[57] *Id.*

[58] *Id.*

significantly modified and/or expanded by Frontier. Verizon should also be required to provide any upgrades or major releases to such Verizon owned software, except to the extent that such upgrades or major releases pertain to Verizon proprietary products or services to which Frontier access would compromise Verizon's competitive interests.[59]

e. The Commission should disallow provisions in the Stock Purchase Agreement (SPA) that require Frontier to pay 100% of any costs imposed by regulators as a condition for approval, and/or should require Verizon to accept such disallowance as a condition of approval.[60]

f. Specifically, the Commission should require Verizon to pay remedial maintenance upgrades to its network as a condition of the sale to Frontier. The CPUC should monitor Frontier's performance for a minimum of five years to ensure that upgrades have been made as expected. The Commission should require Verizon and Frontier to modify Section 2.3 of the SPA to ensure that Verizon, not Frontier, bears these costs.[61]

g. Frontier should expand broadband services at speeds of no less than the FCC's minimum definition of broadband speeds, currently 25 Mbps download and 3 Mbps upload, to 98% of households in its new service territory (Frontier and Verizon wireline service areas combined) by no later than December 31, 2020. The Commission should require that 98% of households in rural areas, tribal lands and low-income areas have access to the FCC's minimum definition of broadband speeds. By December 31, 2018, 78% of households should have broadband availability of at least 25 Mbps download and 3 Mbps upload. By

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[59] *Id.*

[60] *Id.*

[61] *Ibid,* at 133.

December 31, 2019, 88% of households should have broadband availability of at least 25 Mbps download and 3 Mbps upload. By December 31, 2020, 98% of households should have broadband availability of at least 25Mbps download and 3 Mbps upload.[62]

h. On July 1, 2016, and every year thereafter until July 1, 2020, Frontier shall submit a progress report to the Commission and ORA identifying the progress made in deployment of broadband and the work completed to meet the interim deployment milestones set forth above. The report shall identify the number of households with access to the FCC's minimum broadband speeds, including a list of census blocks where the households are located. On December 31, 2018, and every year thereafter until December 31, 2020, Frontier shall submit a progress report certifying that it is meeting the percentage of households identified in the deployment milestones set forth above.[63]

i. The Commission must work with Frontier to establish reasonable and realistic investment goals and deployment strategies that will achieve ORA's 98% broadband objective in the most efficient manner.[64] The Commission should impose a condition for approval that will produce a true improvement in broadband availability within the ILEC footprint that Frontier will be managing.[65]

j. The Commission should consider, as a condition for approval, requiring that the proposed CAF-funded broadband expansion be pursued by Frontier whether or

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[62] Opening Brief of the Office of Ratepayer Advocates, Appendix A, Condition 6.

[63] *Id.* Also *see* Selwyn Reply Testimony at vii.

[64] Selwyn Supplemental Testimony at 100.

[65] Selwyn Reply Testimony at 82.

not Frontier actually receives the full CAF Phase II funding as anticipated.[66]

k. Frontier should provide an unredacted copy of the FCC 477 data for Internet Access Services and Local Telephone Services to the CPUC and the ORA concurrent with such filings with the FCC.[67]

l. Frontier should pay for the cost of an independent consultant, selected, directed, and managed by ORA, to design and conduct a multi-lingual customer satisfaction survey. The survey would be conducted over a 36-month period, and designed to measure customer satisfaction for broadband and voice services (including VoIP), and to measure the effectiveness of efforts to educate customers on the limitations of VoIP during power outages and the necessity of maintaining battery backup. Over the 36-month period, the independent consultant (with ORA) would then issue quarterly reports to the CPUC detailing the results of the survey. These quarterly reports would provide Frontier and the CPUC with the ability to detect trends and identify and address problems early.[68]

m. Frontier should submit to the Commission and to ORA a multi-year Strategic Plan by no later than October 31, 2015, with the specific plans for improving voice and broadband service quality, reliability, and availability throughout its new California service area. More specifically, the Strategic Plan is to include the following:[69]

1. Specific plans, including the specific types of network upgrades needed, to improve voice services in the

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66 *Ibid.* at 57.

67 *Ibid.* at vii.

68 ORA Opening Brief, Appendix A, Condition 8.

69 *Ibid.*, Condition 9.

following counties: Los Angeles County, San Bernardino County, and Riverside County.

2. Specific plans, including the specific types of network upgrades needed, to improve broadband services in the following counties: Los Angeles County, San Bernardino County, and Riverside County.
3. The Strategic Plan shall include at a minimum the following components: Goals (general goal articulating the desired outcome), Objectives (for each goal identify specific objectives that meet the S.M.A.R.T. criteria—Specific, Measureable, Achievable, Realistic and Time-bound).
4. Specific goals and objectives to address outages (including, impacts-user-minutes/DS3-minutes, durations, and affected users) pertaining to wireline and VoIP services in California on the following FCC categories: 1350 DS3-minutes outages, E-911 outage, 900,000 user-minutes/VoIP-minute outages, Blocked Calls.
5. Specific goals and objectives to improve and meet on General Order (GO) 133-C standards of 90% of Out of Service (OOS) Trouble Reports to be restored within 24 hours.[70]

n. For a period of five years, with year one due one year from the date of CPUC approval of the Transaction, Frontier should provide the Commission and ORA with an annual report detailing.

1. Frontier's capital expenditures related to planned actions on condition number 9 above. Frontier should include in the report a comparison of the amount of planned California capital expenditures as a percentage of total system expenditures and a

[70] *Id.*

comparison of the amount of capital expenditures per California access line.[71]

2. Performance metrics quantifying the desired outcome of each objective identified in condition number 9(c).[72]

o. For a period of five years, Frontier should provide to the Commission and ORA, on a quarterly basis the following service quality metrics for voice services:

1. Traditional Voice Copper Service and FiOS voice (non-VoIP): Installation Interval and Installation Commitments.
2. VoIP services: Installation Intervals, Installation Commitment Met, Customer Trouble Reports, OOS Repair Intervals, Answer-time for Trouble Reports, Billing and Non-Billing Inquiries, and Report Trouble Reports by the same customer after closing of an initial trouble report.

p. For a period of five years, Frontier should meet the following complaint performance metric and provide to the Commission and ORA, on a quarterly basis customer complaints for voice services including traditional copper voice, and FiOS voice (non-VoIP and VoIP):

1. Performance Metric: The number of complaints should not exceed 1.75 complaints per 1,000 lines.
2. Reporting Requirement: Type of Customer (residential/business), Type of Service (copper voice, FTTP voice and VoIP), Type of Complaint Categories (billing—identify type of billing complaints, such as unauthorized charges, disconnection, rate protest; access to 911/emergency services; delayed orders/missed appointments; number portability; operator service; refusal to service; service outages;

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[71] *Ibid.* Condition 10.

[72] *Ibid.* Condition 11.

call quality—i.e. service conditions that affect or prevent the quality of service provided such as static and noise), Resolution time for complaint, Date of Complaint, Location, and Recurring complaints by the same customer after closing of initial complaint.[73]

q. Frontier should provide a copy of FCC Network Outage Reporting System (NORS) reports for VoIP services to the Commission and ORA concurrent with such filing with the FCC.[74]

r. For a period of five years, Frontier should meet the following voice services outage performance metric and report to the Commission and ORA, outages that do not meet the FCC NORS outage reporting requirement for voice services (traditional copper voice, FiOS voice (non-VoIP and VoIP)):

1. Performance Metric: The number of non-FCC outages should not exceed 0.5 outages per 1,000 lines per year Annual data on broadband service outages. For each service outage, the data should include: Number of customers affected; Type of customers affected; Incident Date; Incident Time; Duration of outage in total minutes; Outage restoration time; Location of Outage; Equipment failed; Network involved; Description of the Cause; Description of the Root Cause; Description of the Incident; Methods used to restore the outage; Steps taken to prevent the outage from re-occurring.

2. Reporting Requirement: Type of Service (copper voice, FiOS voice (non-VoIP), and/or VoIP), Number of customers affected, Type of customers affected (residential/business), Incident date, Incident time, Duration of outage in hours and minutes, Outage

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[73] *Ibid.* Condition 12.

[74] *Ibid.* Condition 13; *See* also Opening Testimony of Ayat Osman on behalf of the ORA at 9.

restoration time, Whether the outage was due to failure in Frontier's network or other companies' network, Whether the outage occurred inside Frontier's buildings (owned, leased, or otherwise controlled by Frontier) or outside plant, Location of outage, Equipment failed, Network involved, Affected E911/911, Description of the cause, Description of the root cause, Description of the incident, Methods used to restore the outage, Steps taken to prevent the outage from re-occurring.[75]

s. For a period of five years, Frontier should report to the Commission and ORA the below voice service metrics, as well as improve on Verizon's current voice service performance metrics as follows:

1. At a minimum, track the 39 different metrics that Verizon currently uses to assess the quality of its voice services.

2. Frontier should improve performance on the following voice services' metrics for traditional copper voice, FTTP voice (non-VoIP) and VoIP services: OOS Repair Tickets cleared within 24-hours; Service Affecting (but Not Out of Service), cleared within 24-hours; Percentage Repeats < seven days; Mean Time To Repair; Percentage Commitment Met: the percentage of installations that were cleared on or before the date/time promised; Percentage Repair Commitment: the percentage of trouble reports that were cleared on or before the date/time promised.[76]

t. For a period of five years, Frontier should provide an annual report, with year one due on one year from the

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[75] ORA Opening Brief, Appendix A, Condition 14; *See* also Osman Opening Testimony at 8.

[76] *Ibid.* Condition 15; *See* also Osman Opening Testimony at 8.

date of CPUC approval of the Transaction, on broadband performance metrics that includes:

1. Customer-initiated complaints on Frontier's broadband service in California. This data should include: Type of Complaint—billing, delayed orders/missed appointments, customer service, refusal to service, availability/service outages, equipment, interference, privacy, speed; Type of Customer—residential, small or large-sized business; Date of complaint; Resolution time for complaint; Customer location— County, city, and census block; Frequency of complaint by the same customer.
2. Annual data on broadband service outages. For each service outage, the data should include: Number of customers affected; Type of customers affected; Incident Date; Incident Time; Duration of outage in total minutes; Outage restoration time; Location of Outage; Equipment failed; Network involved; Description of the Cause; Description of the Root Cause; Description of the Incident; Methods used to restore the outage; Steps taken to prevent the outage from re-occurring.
3. Service installation intervals (per month) for orders for new broadband service installations received during the previous 12 months. This data should be inclusive of all wireline, fiber optic, and fixed wireless broadband services. Service installation intervals should be expressed in business days, between the date the service order was placed and the date the service becomes operational. This data should exclude all orders having customer requested appointments later than the provider's commitment dates.
4. Provide the total number of broadband service orders received and the number of those orders completed, per month, during the previous 12 months. This data

should be inclusive of all wireline, fiber-optic, and fixed wireless broadband services.[77]

u. Frontier should adopt the following broadband performance metrics and practices:

1. At a minimum, track the 25 different metrics that Verizon currently uses to assess the quality of its broadband services. Frontier should track these metrics for digital subscriber line (DSL) services apart from Fiber to the Home services.

2. Maintain a ratio of no less than one employee for every 255 broadband lines in service.

3. Adopt Verizon's practice of hiring independent contractors to conduct random inspections and assess technicians' work performance.[78]

v. Frontier should report to the Commission any layoffs or facility closings resulting from the transaction for three years after closing of the transaction within one month of the effective date of the layoffs or closings, stating why it was necessary to do so and what efforts Frontier made or is making to re-deploy those individuals elsewhere within Frontier. This report shall also state whether any savings associated with facility closings have been reinvested in Frontier's California operations, and, if not, why not.[79]

w. Also, the commitments that Frontier makes in regards to maintaining the salary and benefits of employees should be adopted as formal conditions.[80]

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[77] *Ibid.* Condition 16.

[78] *Ibid.* Condition 17.

[79] *Ibid.* Condition 18.

[80] Opening Testimony of Enrique Gallardo on behalf of the ORA at 1-6.

x. Frontier should report, on an annual basis for three years post transaction, the placement of local general managers and the locations they serve.[81]

y. Frontier and Verizon will work cooperatively in accordance with standard industry practices to coordinate any transition of 911 functionality or database systems. Both parties will represent and warrant that 911-functionality will not be impaired by the acquisition. No later than 30 days after the transaction is completed, both parties will submit a compliance letter to the Commission representing and warranting that 911-functionality was not impaired and remains fully operational. The compliance letter will provide the results of any validity testing conducted.[82]

z. Within 30 days post-transaction, Frontier will conduct tests to measure the proper functioning of the Automatic Number Identification and Automatic Location Identification systems in various locations throughout its territory in California and will report on the results of the tests to the Commission.[83]

aa. Starting no later than 180 days following the effective date of the Transaction, Frontier shall (i) supply backup batteries with minimum standby times of 8 hours at no cost as part of any new installation of VoIP telephones, (ii) fully implement the guidelines for customer education programs regarding backup power systems adopted by this Commission in D.10-01-026, and (iii) offer to sell backup batteries at cost to any present or future customer of the new company. [84]

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[81] *Ibid.* Condition 19; Gallardo Opening Testimony at 2-5.

[82] *Ibid.* Condition 20; Gallardo Opening Testimony at 2-5.

[83] *Ibid.* Condition 21; Gallardo Opening Testimony at 3-4.

[84] *Ibid.* Condition 22; Gallardo Opening Testimony at 3-12.

bb. Verizon should be required to inspect (and service if required) any batteries serving remote terminals if they have not been inspected within one year or if the batteries have components installed before 2006. Thereafter, Frontier will conduct annual inspections on all its remote terminals' batteries, with more frequent inspections for any remote terminals that are critical components of the network.[85]

cc. Within 180 days of the effective date of the Transaction, Frontier should provide backup power for at least eight hours at all of its remote terminals in California, through any combination of batteries, generators or other sources. Remote terminals considered to be critical should be provided with backup power of at least 24 hours duration.[86]

dd. Frontier shall advise all customers of the merged companies of the necessity for using backup batteries in connection with a VoIP-based telephone system and the risks associated with power outages. Such information shall be made available in Chinese, Japanese, Korean, Spanish, Tagalog and Vietnamese language versions, as well as large print and Braille versions for visually impaired customers, and shall be communicated to all customers of the company no later than 180 days following the effective date of the transaction. Frontier shall work with staff of the Commission's Communications Division to develop the form and language of such notices.[87]

ee. The Commission should require Frontier to use a customer satisfaction survey and provide the Commission with the complete results of the survey, including copies

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[85] Gallardo Supplemental Testimony at 17.

[86] *Id.*

[87] ORA Opening Brief, Appendix A, Condition 23; Gallardo Opening Testimony at 3.

of all the survey questions and responses, in order to understand the issue of backup power for VoIP services. The survey recommendation will include a series of questions for VoIP customers to measure their understanding that VoIP telephone service will not work during a power outage without backup power. The survey will also measure customer understanding of the limitations of the battery: the need to ensure the battery has not degraded, the limitations of standby time and talk time, etc.[88]

ff. Frontier should provide the Commission and ORA an annual report detailing Frontier's compliance with all conditions the Commission imposes upon the company in its approval of the Application.[89]

gg. Frontier will be subject to a performance and financial audit by the Commission within three years and five years from approval of the Transaction to ensure that the ratepayer allocation from Frontier and Verizon are being spent as intended and in a reasonable fashion.[90]

2.2.8. TURN

a. The Commission should require an independent examination of Verizon California's network and measures to ensure that Frontier is able to implement the recommendations of this examination within a reasonable timeframe. If at all possible, Verizon should be made to shoulder the expense associated with this effort, as it is not evident that Frontier will have the wherewithal to implement the recommendations of such an examination in a timely and complete manner for

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[88] Gallardo Opening Testimony at 1-13.

[89] ORA Opening Brief Condition 24.

[90] *Ibid.* Condition 25.

what is currently Verizon's network.[91] Therefore, any approval of the proposed transaction must incorporate specific mechanisms that make Frontier accountable to complete the network improvements that result from the network study ordered in D.13-02-023 and reaffirmed in D.15-08-041.[92]

b. The Commission should establish an Escrow Fund in the amount of at least $235 million, to be funded by Verizon to ensure that Frontier is financially prepared to implement the recommendations in a timely manner. The exact amount should correspond with the results of the independent infrastructure examination and study.[93] This escrow fund is to be used only to upgrade, repair, rehabilitate, and replace the plant acquired from Verizon that Frontier is now obliged to undertake to bring service up to Commission service quality standards.[94]

c. Before handing its network over to Frontier, Verizon should, at a minimum, replace the cable footage that it indicates need to be replaced and complete the work orders either in progress or pending engineering pricing that relate to the replacement of defective cable.[95]

d. Frontier should be required to (1) meet the Commission's Out of Service (OOS) standards within six months of the transaction's closing and to sustain performance of at least as good as those OOS standards for five years; (2) provide credits to customers who experience prolonged delays in having service restored, (3) meet the Commission's repair office answer times standard within

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[91] Baldwin Opening Testimony at 5-6.

[92] *Ibid*., at 45.

[93] *Ibid.* at 6, 125.

[94] Brevitz Opening Testimony, at 73-75.

[95] Baldwin Opening Testimony, at 6, 129.

six months of the transaction's closing and sustain performance at least as good as that standard for five years.[96]

e. The Commission should establish measures to ensure that Frontier does not backslide with service quality.[97] The Commission should adopt service quality credits that provide direct compensation to customers who endure poor service quality (for example, long repair intervals).[98] Frontier should commit to narrow the gap in service quality among communities.[99] Also, customer service offices should be established in remote areas so that consumers can easily pay bills and ask questions about their services.[100]

f. Frontier should be required to adopt and enforce a policy prohibiting sales and repair representatives from using customer contacts regarding service problems as an opportunity to upsell to FiOS; Frontier should provide the scripts and the details of any sales compensation plans for such employees to Commission for review.[101]

g. The Commission should require a freeze on Frontier's monthly and non-recurring rates for basic local residential voice service, residential features, and stand-alone residential broadband Internet access for five years.[102] Uniform rates should be mandated for broadband Internet access services across all geographic

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96 *Ibid*. at 7.

97 *Ibid.* at 136.

98 *Ibid.* at 149.

99 Baldwin Supplemental Testimony at 55.

100 Baldwin Opening Testimony at 171.

101 *Ibid.* at 7, 8, 162.

102 *Ibid.* at 8, 157.

areas served by Frontier in California.[103] For five years, Frontier should offer broadband Internet access as a standalone service, regardless of whether the service is FiOS or DSL.[104] Consumers who currently have a double or triple play should be permitted to take a fresh look and switch, without penalty, to stand-alone broadband Internet.[105] Residential customers should also be permitted to modify the packages, bundles, and features they subscribe to, without penalty, for at least six months after the transaction's closing.[106]

h. Within 60 days of closing, Frontier should commit to (1) supplying not only its existing customers but also its newly acquired Verizon customers with backup batteries at no cost as part of any new installation of VoIP (FiOS) telephone service and offer to sell backup batteries at cost to any present or future customer in its California service territory. If the $25.00 that Frontier now charges exceeds Frontier's cost of backup batteries, it should lower the price to cost, and submit documentation of such cost to the Commission within 60 days of closing. Moreover, Frontier's VoIP customer premises equipment should accommodate rechargeable, lithium ion batteries and be capable of using longer-lasting batteries as they are developed.[107]

i. Subject to the Commission's review that the educational materials that Frontier presently provides to its existing customers comply with the guidelines for customer education programs regarding backup power systems adopted by this Commission in D.10-01-026, within

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[103] *Id.*

[104] *Ibid.* at 9.

[105] *Id.*

[106] *Id.*

[107] *Ibid.* at 10, 164.

60 days of closing, Frontier should implement similar customer education for the customers that it acquires from Verizon.[108]

j. In order to ensure that consumers located in remote parts of the state have reliable access to 9-1-1 services, Frontier should commit to provide backup power for all remote terminals and backup power for microwave that is used for any middle mile facilities or local distribution. The backup power should be available and in place before batteries run out.[109]

k. Broadband Internet access should be subsidized at a speed of at least 6 Mbps for income-eligible households, with eligibility defined as those households that are eligible (but not necessarily participating in) the Lifeline program (or with income less than 150% of the poverty level). The broadband should be offered for $10 per month (similar to the price of Comcast's Internet Essentials, but with a higher minimum speed.[110]

l. To bring broadband capabilities up to a more acceptable level, Frontier should commit to the following by year-end 2017: 95% coverage at speeds of at least 6 Mbps download; 85% coverage at speeds of at least 15 Mbps; and 75% coverage at speeds of at least 25 Mbps.[111]

m. Frontier should deploy broadband to an additional 110,000 households each year until all houses are served (in addition to the CAF II related deployment).[112]

n. Frontier should prepare a report to the Commission, within 12 months of closing that enables the Commission

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[108] *Ibid.* at 10, 11, 172.

[109] *Ibid.* at 11.

[110] *Ibid.* at 12, 173.

[111] *Ibid.* at 12, 105.

[112] *Ibid.* at. 106, 174.

to detect the presence, if any, of redlining of broadband deployment in the network that Frontier has acquired. The report design should be informed by discussions with Commission Staff and should include geographically disaggregated information that maps broadband deployment and speed to average community income.[113]

o. Frontier should coordinate with the Commission's broadband mapping efforts in order to focus investment in the communities that are the least served.[114]

p. Frontier should report broadband quality (separately for FiOS-based broadband and DSL) and broadband outages to the Commission on an ongoing basis. So that markets can work efficiently, with consumers making informed purchasing decisions, this information should be public and available on the Commission's website.[115]

q. Verizon should provide Frontier with comprehensive and complete geocoded data about its broadband network and services to facilitate Frontier's coordination with state and federal policy makers in achieving ubiquitous, globally competitive broadband services. (Baldwin, at 107, lines 1-4; 175.)

r. The Commission should direct Frontier to repair the outside plant in the communities where Voice Link customers reside and also to provide these customers with the option to return to the copper network.[116]

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[113] *Ibid*. at 14, 174.

[114] *Ibid.* at 14, 175.

[115] *Id.*

[116] *Ibid.* at 167, 172.

s. Joint Applicants must agree to remove or otherwise not give effect to the "Required Payment Amount" provision of their SPA.[117]

t. Should Frontier choose to use bridge financing to fund the transaction at closing, Verizon shall fund the cost differential between 9% and the cost of the bridge financing until Frontier is able to replace that bridge financing with permanent debt or equity financing.[118]

u. The Commission should limit dividends from California operations to the parent company to free cash flow after capital expenditures required to meet service quality standards and plant repair/rehabilitation/replacement. Once these objectives have been attained, Frontier may provide for dividends from California operations at its discretion.[119]

v. The Commission should direct Frontier to report to the Commission within 90 days of the close of the transaction whether the CAF funds are sufficient to fulfill the broadband obligations in those census blocks associated with the CAF II monies, and to provide supporting documentation regarding its assessment.[120]

w. The Commission should condition any approval of the transaction on the complete transfer of all of Verizon's current databases associated with the quality of service information, such as but not limited to, trouble reports, locations of troubles, the age of all the batteries used as backup in remote areas, and continuing property records to Frontier. Verizon should make qualified responsible personnel available for twelve months after the

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117 Brevitz Opening Testimony at 73.

118 *Ibid*. at 74.

119 *Id.*

120 Baldwin Supplemental Testimony at 37-38.

transaction occurs to provide additional responses, if and as needed.[121]

x. Frontier should commit to a capital expenditure level in California which is equivalent to that embedded in its financial modeling.[122]

3. Discussion and Analysis

During the course of this proceeding, Frontier entered into the Joint CLECs Settlement, the Cox Settlement, and the Joint Protesters Settlement (Settlements), the Greenlining MOU, the CETF MOU (MOUs) and the CWA Labor Agreement. The Settlements, the MOUs and the CWA Labor Agreement are collectively referred to hereafter as the Frontier Agreements. The Frontier Agreements remove nearly all of the mitigation measures proposed by the settling protesters, the MOU signatories and the CWA from consideration in this proceeding. The Settlements are accompanied by motions for their approval, while the MOUs and the CWA Labor Agreement are accompanied by correspondence indicating that the signatories support approval of the Transaction. With the changes wrought by the Frontier Agreements in mind, we can summarize the issues for decision and our holdings as follows:

1. Without additional mitigating conditions, does the Transaction meet the public interest standard of Pub. Util. Code § 854(a)? **Yes**.

2. Without additional mitigating conditions, does the Transaction meet the public interest standard of Pub. Util. Code §§ 854(b)? **Yes.**

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[121] *Ibid.* at 44-45.

[122] Brevitz Supplemental Testimony at 14.

3. Without additional mitigating conditions, does the Transaction meet the public interest standard of Pub. Util. Code § 854(c)? **No.**
4. As modified by the Frontier Agreements and with additional mitigating conditions relating to the physical condition of the Verizon network, does the Transaction meet the public interest standard of Pub. Util. Code § 854(c)? **Yes.**
5. Do the Settlements satisfy the Commission's requirements for approval of settlements? **Yes.**

In brief, the public interest requirement of § 854(a) is satisfied if the public, including the customers of Verizon and Frontier, is no worse off after the Transaction than it was before it. We conclude that the Transaction meets the requirements of § 854(a).

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 herin, 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). Finally, the Opinion of the Attorney General required by § 854(b)(3) states:

> We conclude that this transaction will not reduce the number of competitors, nor will it eliminate a potential new entrant, in any relevant product market in any geographical area.

> Accordingly we conclude that this transaction will not adversely affect competition.[123]

Thus, we conclude that the Transaction satisfies the requirements of § 854(b) without additional mitigating conditions.

When we examine the Transaction's compliance with the requirements imposed by § 854(c) we reach a different conclusion, which we summarize as follows: without mitigating conditions, the Transaction satisfies the requirements of subsections: (1), (3), (4), (5) and (7) and does not satisfy the requirements of subsections (2) and (6). With the mitigating conditions contained in the Settlements, together with additional mitigating conditions regarding the physical condition of the Verizon network, the Transaction satisfies the public interest requirement of §854(c).

Section 854(c)(2) requires that the Transaction must "maintain or improve the quality of service to public utility ratepayers in the state." Throughout the proceeding, in public participation hearings, in letters to the Commission from ratepayers of both Verizon and Frontier, and in sworn testimony offered by various intervenors, serious concerns were raised regarding the physical condition of the Verizon network, Verizon's maintenance of the network in recent years, the level of service provided to customers in response to claims of dropped calls, poor line quality, and the like. While Verizon introduced evidence to demonstrate its compliance with Commission orders regarding service quality, protesters pointed out that the areas in which Verizon failed to meet Commission mandated standards, such as the frequency and duration of

[123] Opinion of the Attorney General on Competitive Effects of Proposed Transaction of Frontier and Verizon at 6.

OOS intervals, were indicative of a broad decline in the quality of the Verizon network. As outlined in Part 4 of this opinion, above, protesters proposed various mitigation measures ranging from requiring Frontier to file much more comprehensive reports of service problems to requiring Verizon to escrow over $200 million to ensure that Frontier would have the financial means to address the network problems after the Transaction closes. For its part, Frontier promised to increase significantly the number of local service personnel, to upgrade the network through the use of Connect America funding from the FCC and its own resources, and to focus without distraction on maintaining and operating a wireline network (including broadband) without concerns about the relationship between that network and a sister wireless network. The Settlements and the MOUs have alleviated concerns that Frontier will neglect the network upon succeeding to Verizon as its owner.

Sub-section (6) requires that the Transaction "be beneficial, on an overall basis, to state and local economies and to the communities in the area served by the resulting public utility." As we noted in our discussion of jurisdiction at the beginning of this decision, although we must take into account the likely effects of the proposed transaction on people and communities throughout the entire Verizon California service territory, our focus is more on the implications of the Transaction for underserved customers in remote areas of the Verizon service territory than on those residing in the more populous and compact cities of southern California. While the Transaction may be economically beneficial overall to the state economy (or, at least, not detrimental to it), it will only be beneficial to the least well-served if Frontier actually makes good on its promises to put significant amounts of money and effort into improving the services available to such customers.

3.1. Implications of the Transaction for Broadband Development

During the course of this proceeding, the Commission received numerous complaints both orally at PPHs and via letters from present or prospective customers of Verizon and Frontier relating to the limited availability of high speed broadband in poor and underserved regions of Verizon's California service territory. The general tenor of the complaints may be summarized this way: Verizon ceased selling and provisioning its FIOS several years ago, leaving residents of those areas unable to obtain high speed broadband. In the more fortunate localities, Verizon provides a slow DSL service over its existing copper wire network. In others, Verizon provides no Internet access at all. In some cases, complaints about the unavailability of high speed broadband were coupled with anecdotes of unreliable, spotty landline service. In Verizon service territories like northeast Humboldt County, the combination of the absence of broadband, the lack of cell towers and unreliable landline service delivered via microwave relay towers and reflectors that are subject to the vicissitudes of wind and weather, was said occasionally to have left residents without any means of communicating with the outside world for hours or even days. Of significant concern to the residents of remote areas is the lack of a means of communication in the event of an emergency such as a fire or a landslide. If a landline in those areas goes down, the residents are literally without a means of receiving emergency notifications from local fire, police or rescue services. A person who is ill or injured in such circumstances likewise has no way of summoning help from the remote agency, whether that agency is the police, the local fire department, or a 911 operator. There can be no reasonable dispute regarding

these complaints of inadequate service in these regions. We take official notice of these complaints pursuant to Evidence Code § 452(h).

In their testimony, representatives of Verizon indicated that the company's original plan for the rollout of FIOS did not include its extension to remote areas. Indeed, as Verizon witness Tim McCallion testified, it was the company's intention from the beginning to limit FIOS distribution to those areas where it could be profitably deployed.[124] That plan omitted the remote areas where the cost per mile of providing service exceeds any reasonable projected revenue. For its part, Frontier volunteered at various public forums its commitment to bringing broadband to customers in the remote areas, specifically through utilization of the FCC's Connect America Fund (CAF) which will provide approximately $192 million over the next six years, to allow Frontier to extend reliable phone and high speed broadband to the remote parts of the Verizon service territory.

Although both Verizon and Frontier expressed their intention to take steps necessary to secure CAF funding, neither one could assure the Commission that Frontier would receive CAF funds, particularly if approval of the Transaction were delayed beyond the end of 2015.

We may take note of the many repeated assertions by the Joint Applicants, including assertions made in sworn testimony, that one of the important reasons for the Commission to approve the Transaction is that it will have a material beneficial effect on broadband deployment, particularly in the remote parts of

[124] Supplemental Reply Testimony of Tim McCallion on behalf of Verizon at 18.

the Verizon service territory. A few examples, among many that might be cited, include the following:

> Although Frontier has not yet formulated a detailed plan for broadband enhancements in the Verizon California service areas after the Transaction is completed, Frontier expects to invest in enhancing broadband speeds and service in the acquired territories. Frontier has participated in the CASF and CAF programs already to assist in broadband deployment. To the extent that it can, Frontier will utilize the CASF and CAF programs, coupled with its own investment, to expand and enhance broadband services in the Verizon California service areas.[125]
>
> If the transaction is approved, Frontier will have access to approximately $32 million annually for six years, offered by the FCC to Verizon California to upgrade approximately 77,400 locations in California.[126]
>
> Frontier is committing to augment the broadband speed for 250,000 households in the Verizon California service areas to support speeds of 25 megabits (Mbps) downstream and 2 Mbps upstream by 2020. Frontier also commits to deploy broadband to an additional 100,000 households to 10 Mbps downstream and 1 Mbps upstream in in areas where there is no broadband available from Verizon California today.[127]
>
> [I]f the Transaction is consummated, more than 427,000 households in the Verizon California service territory will have broadband for the first time or benefit from increased broadband speeds.[128]

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[125] Application at 17.

[126] Abernathy, op. cit. at 23.

[127] Rebuttal Testimony of Melinda White on behalf of Frontier at 3, 4.

[128] Supplemental Reply Testimony of Melinda White on behalf of Frontier at 17-23.

Thus Joint Applicants acknowledge on the record that hundreds of thousands of customers primarily located in the remote areas of the Verizon service territory either lack broadband altogether or lack true high speed connectivity. As will be seen from the review of the various Settlements and MOUs in the following part of this opinion, Frontier and the protesters have entered into detailed agreements that address this issue.

3.2. Summary of the Settlements and MOUs

Taken together, the Settlements and MOUs resolve numerous disputed issues from this proceeding. We summarize their salient points as follows:

3.2.1. The Greenlining MOU

The Greenlining MOU commits Frontier to work with Greenlining for a minimum of three years to maximize diversity in employment, philanthropy and among suppliers. Supplier Diversity is defined as women; minority; lesbian, gay, bisexual and transgender; and disabled veteran-owned business enterprises. The MOU also includes commitments by Frontier to provide customer service support in multiple languages including Spanish, Chinese, Japanese, Korean, Tagalog and Vietnamese and to document the usage of such foreign language support. It also addresses issues of broadband deployment and affordability which are dealt with in more detail in the CETF MOU.

3.2.2. The Joint CLECs Settlement

The Joint CLECs Settlement resolves numerous technical issues regarding the manner in which Frontier will interconnect with Joint CLECs after the close of the Transaction. It leaves two specific issues unresolved. One, relating to the condition of the Verizon network and steps we might take to insure that it is maintained in accordance with our General Orders, is discussed in Part 6 of this decision, below. We resolve the other issue, submission of existing IIP-to-IP

interconnection agreements to the Commission for review under § 252 of the Federal Telecommunications Act, in this decision in favor of Joint CLECs as set out below in Ordering Paragraph 6 hereof.

The record in this proceeding shows that there are eleven interconnection agreements listed in Appendix I(b) of the Securities Purchase Agreement that deal with the exchange of IP-to-IP voice traffic that Frontier will inherit from Verizon California when the transaction closes, as well as agreements that govern the exchange of FIOS traffic with Verizon's other non-California ILEC affiliates that have not been reduced to writing.

The record also shows that the proposed transaction triggered negotiation of a new agreement between Frontier and Verizon California's CLEC affiliate, Verizon Business. If Frontier does not file these new agreements with the Commission, other CLECs will be unable to ascertain, let alone, obtain, these same terms and conditions. As a result, Verizon Business may enjoy competitively advantageous lower costs and greater network efficiencies, and competition for voice services in the business market may be significantly harmed. Section 853(b)(3) of the Pub. Util. Code specifically requires the Commission to make a finding that the proposed transaction will not significantly harm competition. Although the AG Opinion concludes that the proposed transaction will not have net anti-competitive effects, we are obligated under the statute to mitigate potential transaction specific harms of which we may become aware. In this instance, the potential harm to competition consists in Verizon Business gaining a secret comparative advantage over its competitors. We mitigate that harm by requiring disclosure to the Commission of the terms of the recently signed agreements subject to the filing, approval and opt-in requirements of § 252 of the Telecom Act. In that regard we note that although

Verizon California has refused to produce a signed copy of a new IP-to-IP interconnection agreement, it has produced a sample IT template that, if executed, constitutes an agreement that meets the § 252 standard.

3.2.3. The CETF MOU

The CETF MOU directly addresses the problems of broadband access and affordability particularly in remote and low-income areas of the Verizon service territory by obligating Frontier to meet certain specific commitments. These commitments are contained throughout the MOU and include, but are not limited to, the following provisions:

1. [Frontier will offer all current Verizon and Frontier Lifeline customers and any newly-qualified Lifeline customers] broadband for$13.99 a month. Frontier shall not require any more information from applicants than is currently required for the California Lifeline program. Frontier will offer Lifeline customers up to 7 megabytes per second (Mbps) downstream where 7 Mbps is available and the highest available upstream speed. If less than 7 Mbps service is available, Frontier will provide the highest available downstream and upstream speeds of service. The offer will include free installation, a free modem with wireless router and free assistance by Frontier trained customer representatives or designated third-parties.
2. Frontier is prepared to deliver broadband access as available to as many users as possible located in the current Frontier footprint, including the counties located in the northeast area of California. This will include a comprehensive network assessment of the following counties: Modoc, Shasta, Lassen, Plumas, Siskiyou, and Tehama.
3. In very rural areas where a network buildout is constrained due to the high cost per household (and

where it falls outside of the FCC census block guidelines), and line-of-sight conditions are acceptable, Frontier will offer a satellite broadband product that allows 5 Mbps to 15 Mbps download speed.

4. In very rural areas where network buildout is too costly, and where the FCC's Very High Cost CAF support is not yet available, Frontier and CETF will identify by April 2017 fifty (50) public locations to install broadband so users may access the Internet under the guidelines communicated by such a public entity.
5. Across the defined low-income areas Frontier will fund the purchase of 50,000 WiFi capable tablets, each of which will be able to connect to a public Internet service or private WiFi and support low-income broadband service. These web WiFi capable devices will be processed and distributed by non-profit organizations as part of a public-private partnership program initiated by Frontier in collaboration with CETF and partners.

3.2.4. The Joint Protesters Settlement

The Joint Protesters Settlement is extensive and provides a detailed description of the terms under which the Parties have resolved all but one disputed issue. Some of the key elements of the Settlement are as follows:

1. Frontier will provide 25 Mbps downstream and 2-3 Mbps upstream to an additional 400,000 households in California by December 31, 2022. This condition expands upon the commitment Frontier had made in its testimony to provide increased broadband speeds of 25 Mbps downstream and 2-3 Mbps upstream to 250,000 households in the Verizon California service area.
2. Frontier will provide 10 Mbps downstream and 1 Mbps upstream to an additional 100,000 unserved

households beyond its CAF II commitments by December 31, 2020. Pursuant to Frontier's CAF II commitments, approximately $192 Million in CAF II funding will be available in the Verizon California service area and Frontier will deploy 10 Mbps downstream and 1 Mbps upstream to 77,402 households in accordance with the CAF II requirements in the census blocks identified by the FCC.

3. Frontier will deploy 6 Mbps downstream and 1 to 1.5 Mbps upstream to an additional 250,000 households in California. This additional broadband enhancements for 250,000 households goes beyond the broadband deployment commitments Frontier had agreed to in its testimony. With these additional commitments, more than 827,000 households in California will benefit from enhanced broadband services if the Transaction is completed.
4. Frontier will specifically dedicate 50 new employees (of the 175 new jobs to be added in California) through at least March 2019 to identifying and addressing network and service quality issues.
5. Frontier will commit to a rate cap through January 1, 2019, for certain basic and ancillary services.
6. Frontier will engage an independent survey "services consultant" in the Verizon California service territories. The independent consultant would take input from ORA and other consumer groups, and distribute survey inquiries to customers in the top three languages spoken in Verizon California's service territory.
7. Frontier will commit to complying with specific GO 133-C requirements and, for a period of three years starting in January 2017, Frontier would report information pursuant to the GO 133-C service quality metrics for both its traditional voice service and its residential VoIP services.

8. Frontier will advise all customers of the necessity for using backup batteries for VolP-based telephone services, and this information will be made available in multiple languages and accessible formats for visually impaired customers.
9. By December 31, 2016, Frontier will submit an advice letter describing its backup power supplies for remote terminals and microwave equipment that are used for middle mile facilities or local distribution.
10. Frontier will interconnect with Digital 395, provided that Digital 395 honors the pricing that it has currently represented to Frontier, to provide additional transport capacity to a list of communities in the Eastern Sierra 395 corridor area of California.
11. Consistent with the agreement reached with the CETF, Frontier will offer a low-income broadband offering priced at $13.99 until the anticipated FCC broadband Lifeline program is implemented.
12. Frontier will meet with representatives of Joint Protesters on a semi-annual basis for the first three years following closing of the Transaction to discuss publicly-available financial results and network operations to ensure the ongoing financial and operational viability of Verizon California under Frontier's ownership.

3.3. Standard of Review

Rule 12(d) of the Commission's Rules of Practice and Procedure requires that any settlement be "reasonable in light of the whole record, consistent with law, and in the public interest." As discussed below, we find that the settlement meets these requirements.

Moreover, as the United States Court of Appeals for the Ninth Circuit has observed, in evaluating a settlement, that the agreement must stand or fall on its

own terms, not compared to some hypothetical result that the negotiators might have achieved, or that some believe should have been achieved:

> Settlement is the offspring of compromise; the question we address is not whether the final product could be prettier, smarter or snazzier, but whether it is fair, adequate and free from collusion. (*Hanlon v. Chrysler Corp.*, 150 F.3d 1011, 1027 (9th Cir. 1998).

Based upon our review of the record, we find that the parties to the settlement had a sound and thorough understanding of the issues and all of the underlying assumptions and data included in the record. Thus, we can consider the Settlements as the outcome of negotiations between competent and well-prepared parties able to make informed choices in the settlement process.

3.4. Pertinent Commission Rules

The Commission's Rules of Practice and Procedure (Rules) specifically address the requirements for adoption of proposed settlements in Rule 12.1 and subject to certain limitations in Rule 12.5. Specifically, Rule 12.1(a) states:

> Parties may, by written motion any time after the first prehearing conference and within 30 days after the last day of hearing, propose settlements on the resolution of any material issue of law or fact or on a mutually agreeable outcome to the proceeding. Settlements need not be joined by all parties; however, settlements in applications must be signed by the applicant and, in complaints, by the complainant and defendant.
>
> The motion shall contain a statement of the factual and legal considerations adequate to advise the Commission of the scope of the settlement and of the grounds on which adoption is urged. Resolution shall be limited to the issues in that proceeding and shall not extend to substantive issues which may come before the Commission in other or future proceedings.

> When a settlement pertains to a proceeding under a Rate Case Plan or other proceeding in which a comparison exhibit would ordinarily be filed, the motion must be supported by a comparison exhibit indicating the impact of the settlement in relation to the utility's application and, if the participating staff supports the settlement, in relation to the issues staff contested, or would have contested, in a hearing.
>
> Rule 12.1(d) provides that:
>
> The Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest.
>
> Rule 12.5 limits the future applicability of a settlement:
>
> Commission adoption of a settlement is binding on all parties to the proceeding in which the settlement is proposed. Unless the Commission expressly provides otherwise, such adoption does not constitute approval of, or precedent regarding, any principle or issue in the proceeding or in any future proceeding.

3.5. Required Findings – Rules 12.1(d) and Rule 12.5

Based upon our review of the settlement documents, we find that they contain statements of the factual and legal considerations adequate to advise the Commission of the scope of each of the Settlements and of the grounds for its adoption; that the Settlements were limited to the issues in this proceeding; and that each Settlement included a comparison indicating the impact of the settlement in relation to contested issues raised by the interested parties in prepared testimony, or which they would have contested in a hearing. Accordingly, we conclude, pursuant to Rule 12.1(d), that the Settlements are reasonable in light of the whole record, consistent with law, and in the public interest.

Based upon our review of the settlement documents we find, pursuant to Rule 12.5, that the Settlements would not bind or otherwise impose a precedent in this or any future proceeding.

3.6. Summary of Settlement Analysis

As can be seen by the procedural history and the summaries of the Settlements, the settling parties have reached mutually satisfactory resolutions of their disputed issues in a manner that satisfies the Commission's requirements for approval of proposed settlements and the Settlements should be approved.

Although the MOUs were not designated "settlements" by the parties and the parties did not file motions for their approval, they are enforceable contracts and as such have similar practical effects as the Settlements. While they were not provided to other parties for review and comment as were the Settlements, they nonetheless commit Frontier to courses of action that we determine to be necessary in order to render the granting of the application in the public interest. Accordingly, though we will not formally approve the MOUs, we will provide the signatories to the MOUs other than Frontier the same recourse to Commission assistance to enforce the terms of the MOUs as we will provide to the settling parties other than Frontier with respect to enforcing the terms of the Settlements.

3.7. Condition of the Verizon Network

In compliance with the ALJ's August 20th ruling, Verizon distributed the Network Report to the service list, the assigned Commissioner and the ALJ on September 18, 2015. On September 24, 2015, an EH was held at which counsel for the protesters had the opportunity to examine the Verizon witnesses sponsoring the Network Report. The Network Report divides the Verizon network into two components, the Transport Network, consisting of central

offices, interoffice transport facilities, remote terminals, digital loop carriers, microwave systems, and related assets; and Outside Plant, consisting of distribution facilities such as poles and wires used to serve individual premises.[129] The Transport Network supports voice, data and video between central offices and into the long-haul network.[130] Verizon asserts that both the Transport Network and Outside Plant are in good condition, have been regularly maintained, and meet or exceed the Commission's maintenance and safety standards contained in GO 95, relating to overhead facilities and GO 128, relating to underground facilities.[131] With regard to GO 95 facilities, Verizon asserts that it has the lowest rate of non-conformance of any carrier audited by the Commission's Safety and Enforcement Division, approximately one-half the average rate of non-conformances among all certificated California carriers.[132] With regard to compliance with GO 128, Verizon asserts that it is not aware of any conditions on the network that fail to conform to GO 128.[133]

Verizon's characterization of the condition of its network is vigorously disputed by ORA and other protesters. The multiple examples of system problems presented by speakers at PPHs of which we have taken official notice, as well as the testimony of ORA witnesses Osman and Clark, contradict the conclusions of the Network Report. Furthermore, in testimony during the EH, Verizon's witnesses testified that between $5 and $10 million would be required

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129 Network Report p. ii; cf. Verizon Opening Brief at 9.

130 *Ibid.* at 7.

131 *Ibid.* at 15-17.

132 Network Report at iv; *See* also *ibid.* at 26-28, Illustration 1 and Table 10.

133 *Ibid.* at 39.

to correct all known GO 95 deficiencies.[134] As part of this decision, we will require Verizon to correct as many known GO95 deficiencies within its California service territory as possible prior to closing and to escrow at closing the balance of the funds necessary to correct the remaining known deficiencies. Verizon shall submit a Tier 1 advice letter upon closing that contains a schedule showing all GO 95 non-conformances known to Verizon as of October 1, 2015; which ones have not been corrected prior to the closing date; and estimated cost of completion, which shall equal the amount of money in the escrow.

In addition to disputing the conclusions of the Network Report, protesters argue that compliance with GO 95 and GO 128 is a necessary, but not sufficient, test of the condition of the network. More revealing evidence is provided by the degree of Verizon's compliance with GO 133-C relating to service quality. ORA's witness Osman analyzed Verizon's compliance with the service quality requirements of GO 133C and reached the following conclusions for the period 2010 to 2014.

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 landlines decreased by 43% during that period.[135]

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[134] EH September 24, 2015 Transcript at 916-17; the exact dollar amount is confidential.

[135] Opening Testimony of Dr. Ayat Osman on behalf of the ORA CH. 1 at 5.

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.[136] [137]

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. Prompt restoration of service following an outage is likely to be of particular importance in the pre-closing interval in light of the anticipated El Nino rains and potential fire and other emergencies anticipated by Governor Brown's October 30, 2015, Executive Order, of which we here take official notice. If adverse weather conditions develop as anticipated, there is likely to be heavy demand for system maintenance and repairs during the pre-closing interval, a period in which Verizon will have significant financial incentives to pass along such maintenance and repair expenses to Frontier. Such a course of action would be contrary to the public interest and we will not permit it.

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[136] Supplemental Testimony of Dr. Ayat Osman on behalf of the ORA at 1-12.

[137] Consistent with these system-wide measures of performance, the Commission heard directly from numerous residents of the outlying areas of the Verizon service territory, particularly areas served by microwave middle-mile infrastructure, that lost dial tones and inability to complete calls were a significant and frequently recurring problem. Lack of redundancy (i.e., of alternate means of call completion when the primary means of transport is OOS for any reason) is most serious in the remote areas and poses a significant threat to health and safety.

Various protesters have urged the Commission to effectively rewrite the purchase and sale agreement between Verizon and Frontier to require a lower purchase price. Protesters argue that Frontier has not done adequate due diligence on the condition of the Verizon network and that bringing the network up to an adequate standard of reliability may require hundreds of millions or even billions of dollars. Joint Applicants take the position that this is an arm's-length transaction between experienced, sophisticated, well-informed parties who have successfully negotiated a series of similar transactions involving the sale to Frontier of Verizon landline operations in other states and that they, rather than the Commission, are in the best position to evaluate the risks and benefits. On this issue we agree with Joint Applicants. We will require Frontier to operate and maintain a phone system that provides safe and reliable service to all its customers; we will not tell it how much to pay Verizon to acquire the existing network.

3.8. Public Safety Issues

Although we could have addressed this topic under the heading of system reliability, we choose to highlight it in view of the Commission's commitment to enhanced scrutiny of the safety aspects of transactions that we review.

3.8.1. Backup Batteries

A specific concern raised by various protesters and observed first hand during the workshops that accompanied the various PPHs in this proceeding, is the adequacy of battery backup at remote terminals and the need to inform customers that as the landline network migrates to a VoIP platform, telephones increasingly will not work during a power outage. Although Verizon routinely tests batteries at remote locations, when there is a power outage lasting more than a few hours, landline service supported only by backup batteries will fail. It

was pointed out at several PPHs that the continuing drought has minimized the severity of this problem, as most outages occur during severe weather, but that the prospect of an exceptionally stormy winter in 2015-2016 carries with it the likelihood of much more extensive outages than have occurred in recent years. Protesters have proposed various solutions to this problem including replacing older batteries in remote terminals and adding gasoline-powered generators at remote locations, including microwave towers providing middle-mile transport.

As several protesters pointed out, VoIP telephones require battery backup in the event of a loss of electric power and this need will become more crucial as VoIP telephony becomes more widespread. Both aspects of the backup battery issues are addressed in the Settlements.

In D.10-01-026 this Commission adopted guidelines for customer education programs regarding backup power systems for VoIP telephones. Frontier presently provides to its existing customers educational materials on this topic. Within 60 days of closing, Frontier should implement similar customer education for the customers that it acquires from Verizon.

3.8.2. Fire and Mudslide Danger

Governor Brown's October 30, 2015 Executive Order declared a state of emergency in areas of urban/wildlife interface due to the presence of large numbers of dead and dying trees resulting from bark beetle infestation. The order includes a mandate to the Commission to accelerate its program of removing dead trees from critical areas. As the state prepares for what is predicted to be an extremely wet and windy winter season, those areas face the twin danger of wildfires during the dry months and mudslides during the winter. For areas that are not in the census blocks the FCC has identified as eligible for Connect America Funding, but are within the mapped areas of

Urban/Wildland Interface high fire danger and tree die-off zones as identified in Geospacial Maps to be produced by the California Department of Forestry and Fire Protection, the California Department of Natural Resources, the California Department of Transportation, and California Energy Commission, Frontier shall consider those areas for priority in the execution of its commitments under the settlements approved in this decision, and shall give special attention to service maintenance and vegetation management in those areas.

3.9. Miscellaneous Remaining Issues

3.9.1. Interconnection Agreements

Verizon California shall file with the Commission a Tier 1 advice letter requesting approval in accordance with § 252 of the Federal Telecommunications Act of each of its executed IP agreements for the exchange of voice traffic to which Frontier will succeed. If such agreements are approved by the Commission, Frontier shall make them available for opt-in by other carriers.

3.9.2. Sharing of Gain on Sale

ORA's request for an order directing Verizon to share any gain on sale with ratepayers is denied. We rely on the terms of the Settlements and MOUs and the Joint Application to fairly allocate gains and losses of the transaction between shareholders and ratepayers.

3.9.3. Motions for Confidential Treatment of Testimony

All pending motions for confidential treatment of information produced in response to data requests, or contained in briefs or in expert testimony including the exhibits thereto, are reasonable and good cause has been shown to grant the requests for a period of three years from the effective date of this decision.

3.9.4. Transfer of Unwritten Franchise

In addition to its status as an ILEC and a COLR, Verizon is also the holder of an unwritten franchise to provide telephone services in California (Franchise). As part of the Transaction, the Franchise, and all rights and obligations attendant thereto, shall be transferred to Frontier, and no Verizon entity shall retain any of the rights or obligations attendant to that Franchise.

3.9.5. Continuing Obligations of Verizon Prior to Closing

In the interval between this Proposed Decision and the closing of the proposed transfer to Frontier, Verizon shall (a) comply with all of the CPUC's rules, orders, decisions, the California Public Utilities Code, and applicable laws including Governor Brown's Executive Orders relevant to the drought and reducing wildfire danger risk; (b) bring into compliance with GO 95 and GO 133-C its telecommunications service and facilities located in areas within its service territory identified as Urban/Wildland Interface high fire danger and tree die-off zones; (c) promptly repair all GO 95 Category 1 and Category 2 non-conformances and resolve all GO 133-C issues within those zones; (d) manage vegetation as required in Governor Brown's October 30, 2015, Executive Order and GO 95; and (e) comply with requests from Emergency Service providers for repairs and action, using long-term solutions rather than temporary fixes whenever possible, with a response time of 24 hours or less whenever possible.

4. Conclusion

We conclude that granting the application will satisfy the public interest requirements of Section 854(c) if we impose the following conditions:

1. Frontier shall offer broadband connectivity to all Lifeline-eligible Verizon customers at the rate and on the terms contained in its Memorandum of Understanding with the California Emerging Technologies Fund.

2. Frontier shall for a period of five years from the date hereof collect and report annually data showing compliance of the merged companies with GO 156.

3. In the interval between issuance of this decision and the closing date of the Transaction, Verizon shall (a) comply with all of the CPUC's rules, orders, decisions, the California Public Utilities Code, and applicable laws including Governor Brown's Executive Orders relevant to the drought and reducing wildfire danger risk; (b) bring into compliance with GO 95 and GO 133-C its telecommunications service and facilities located in areas within its service territory identified as Urban/Wildland Interface high fire danger and tree die-off zones; (c) promptly repair all GO 95 Category 1 and Category 2 non-conformances and resolve all GO 133-C issues within those zones; (d) manage vegetation as required in Governor Brown's October 30, 2015, Executive Order and GO 95; and (e) comply with requests from Emergency Service providers for repairs and action, using long-term solutions rather than temporary fixes whenever possible, with a response time of 24 hours or less whenever possible.

4. Prior to the closing date of the Transaction, Verizon shall repair all known GO 95 non-conformances within its California service territory or, to the extent completion of all repairs within that time period is impossible, shall at the closing date escrow with the Commission in accordance with the terms of this decision the balance of funds necessary to complete the repairs. Verizon shall submit a Tier 1 advice letter upon closing that contains a schedule showing all

GO 95 non-conformances known to it as of October 1, 2015, which ones have not been completed prior to the closing date, and the estimated cost of completion, which shall equal the amount of escrowed funds. Escrowed funds shall be deposited with the Commission's Fiscal Office which shall maintain them in a separate account from which disbursements to Frontier may be made from time to time upon presentation of invoices and time records demonstrating compliance with the requirements of this decision. Such disbursements shall be made only on the instruction of the Commission's Communications Division which shall review such invoices and time records for compliance with the terms of this decision before authorizing any disbursement. If any funds remain after remediation of all GO 95 non-conformances known as of October 1, 2015, they shall be refunded to Verizon. 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.

5. Verizon shall file with the Commission a Tier 1 advice letter requesting approval in accordance with § 252 of the Federal Telecommunications Act of each of its executed IP agreements for the exchange of voice traffic to which Frontier will succeed. If such agreements are approved by the Commission, Frontier shall make them available for opt-in by other carriers.

6. As soon as possible, but in any case not later than 24 months from the closing of the Transaction, Frontier shall: (a) bring overall network performance in its California service territory including the service territory acquired from Verizon in the Transaction up to GO 133-C standards for out-of-service and major outage intervals; (b) by December 31, 2016, and annually thereafter for four years, Frontier shall submit Tier 2 or Tier 3 advice letters containing a list of

its exchanges which do not have diverse or redundant physical circuit connections. The advice letter shall identify any additional exchanges, including the timeline where Frontier shall deploy redundant network facilities and for exchanges in which Frontier determines that the deployment of redundant network facilities is not technically of financially feasible, Frontier will identify these technical or financial impediments and the actions it has taken in the exchanges to mitigate disruptions of services to customers; (c) apply for all California High-Cost Fund B subsidies for which it is eligible; and (d) open discussions with local broadband providers on means of partnering with them including, but not limited to, the Klamath River Broadband Initiative and Digital 395.

7. For areas that are not in the census blocks the FCC has identified as eligible for Connect America Funding, but are within the mapped areas of Urban/Wildland Interface high fire danger and tree die-off zones as identified in Geospacial Maps to be produced by the California Department of Forestry and Fire Protection, the California Department of Natural Resources, the California Department of Transportation, and California Energy Commission, Frontier shall consider those areas for priority in the execution of its commitments under the settlements approved in this decision, and shall give special attention to service maintenance and vegetation management in those areas.

8. As part of the Transaction, Verizon California Inc. shall transfer its unwritten franchise and all rights and obligations attendant thereto to Frontier Communications Corporation and no Verizon entity shall retain any of the rights or obligations attendant to that franchise.

9. Verizon and Frontier shall take all steps necessary to apply for and obtain Connect America Fund funding from the FCC. To the extent that Frontier

has discretion in the order in which such funds may be expended, Frontier shall spend them first on the most remote and underserved portions of the Verizon service territory.

10. Frontier shall perform, in a faithful and timely manner, all agreements made by it in the Settlements and the MOU. Any party to a Settlement or an MOU may, at any time during the duration of the Settlement or the MOU, as the case may be, apply to this Commission for an order directing Frontier to perform one or more agreements contained in the Settlement or the MOU. Frontier consents to the jurisdiction of this Commission to enter an order enforcing the Settlements or the MOU.

11. The October 12, 2015, Opinion Letter of the Attorney General is entered into the evidentiary record of this proceeding and is marked for identification as Exhibit AG1.

12. Good cause having been shown, all pending motions for confidential treatment of information produced in response to data requests, or contained in briefs or in expert testimony including the exhibits thereto, are granted for a period of three years from the effective date of this decision.

13. Nothing in this decision shall prevent the Commission from ordering Frontier to take actions inconsistent with its commitments in the Settlements or the MOU. Any inconsistency between a Commission order and any term of any Settlement or MOU shall be resolved in favor of the Commission order. Frontier may not use any term of any Settlement or MOU as a defense against any future Commission order.

5. Stipulated/Reduction of Comment Period

Pursuant to Rule 14.6(b) of the Commission's Rules of Practice and Procedure, all parties stipulated to reduce the 30-day public review and

comment period required by Section 311 of the Public Utilities Code to 14 days. Pursuant to the parties' stipulation, comments were filed on November 20 2015, and reply comments were filed on November 25, 2015.

6. Comments on the Proposed Decision

Comments from both Joint Applicants and intervenors were broadly supportive of the proposed decision. All parties offered proposed revisions to the proposed decision, many of which were helpful corrections and/or clarifications that have been incorporated throughout the text of this decision, together with other non-substantive changes made in the interests of clarity and accuracy. While we have accepted these helpful suggestions, we have also rejected many proposed modifications of the decision including, but not limited to: (a) the proposal of the Office of Ratepayer Advocates that any gain on sale realized by Verizon should be shared between ratepayers and shareholders; (b) the proposal of XO Communications Services, LLC that approval of the proposed transaction should be conditioned on a settlement of a dispute between itself and Verizon California; (c) the proposal of Entravision Communications Corporation that the settlement agreements and MOUs appended to this decision should be generally applicable to, and enforceable by, all parties (whether or not a party was a signatory to the agreement with Frontier containing those conditions); and (d) the proposal of Joint Applicants that Verizon should not file with the Commission for review of their status under § 252 of the federal Telecommunications Act its existing IP-to-IP interconnection agreements.

7. Assignment of Proceeding

Catherine J.K. Sandoval is the assigned Commissioner and Karl J. Bemesderfer is the assigned ALJ in this proceeding.

Findings of Fact

1. Verizon California is the dominant supplier of landline telephony and fiber to the home in Southern California.

2. Frontier is an experienced provider of landline telephony and fiber based Internet access in states throughout the United States

3. Verizon and Frontier do not compete with one another for local exchange services in any relevant markets.

4. Verizon and Frontier compete with each other in the wholesale and special assets markets.

5. Verizon and Frontier compete with other providers of Internet access services in their respective service territories including incumbent local exchange carriers, satellite companies, municipalities, and local Internet Service Providers.

6. Upon completion of the Transaction, Frontier will succeed Verizon California as the dominant provider of landline telephony and fiber to the home in southern California.

7. Verizon California provides Lifeline telephone services to its qualifying voice customers.

8. On October 12, 2015 the Attorney General issued an opinion letter that concluded the Transaction will not adversely impact competition.

Conclusions of Law

1. The Commission examines proposed indirect transfers of control on a case-by-case basis to determine the applicability of Pub. Util. Code § 854.

2. To obtain approval of the proposed transfers, Applicants must demonstrate that they meet the requirements of §§ 854(a) (b) and(c).

3. Section 854(e) requires that the Applicants must prove by a preponderance of the evidence that the requirements of §§ 854(b) and (c) are met.

4. Without additional mitigating factors, the Transaction meets the requirements of § 854(a) and the evidentiary standard of § 854(e).

5. In light of the Partial Settlements and memoranda of understanding between protesters and Frontier and the inclusion of the additional mitigating factors enumerated herein, the Transaction meets the requirements of § 854(b), § 854(c) and the evidentiary standard of § 854(e).

6. The Settlements are reasonable in light of the whole record, consistent with law, and in the public interest.

7. The Settlements should be approved.

8. The Transaction is in the public interest and should be approved.

9. The opinion letter of the Attorney General should be entered into the evidentiary record of the proceeding.

O R D E R

IT IS ORDERED that:

1. The application of Frontier Communications Corporation, Frontier Communications of America, Inc., Verizon California, Inc., Verizon Long Distance, LLC, and Newco West Holdings, LLC for Approval of Transfer of Control of Verizon California Inc., and Related Approval of Transfer of Assets and Certifications is approved with conditions as set forth in Ordering Paragraphs 2 through 12.

2. Frontier Communications Corporation shall offer broadband connectivity to all Lifeline-eligible Verizon California, Inc., customers at the rate and on the terms contained in its Memorandum of Understanding with the California Emerging Technologies Fund.

3. Frontier Communications Corporation shall for a period of five years from the date hereof collect and report annually data showing compliance of the merged companies with General Order 156.

4. In the interval between issuance of this decision and the closing date of the Transaction, Verizon California, Inc., shall (a) comply with all of the California Public Utilities Commission rules, orders, decisions, the California Public Utilities Code, and applicable laws including Governor Brown's Executive Orders relevant to the drought and reducing wildfire danger risk; (b) as quickly as possible bring into compliance with General Order (GO) 95 and GO 133-C its telecommunications service and facilities located in areas within its service territory identified as Urban/Wildland Interface high fire danger and tree die-off zones; (c) manage vegetation as required in Governor Brown's October 30, 2015, Executive Order and GO 95; and (d) comply with requests from Emergency Service providers for repairs and action, using long-term solutions rather than temporary fixes whenever possible, with a response time of 24 hours or less whenever possible.

5. Prior to the closing date of the Transaction, Verizon California, Inc., shall repair all General Order (GO) 95 Category 1 and Category 2 non-conformances within its California service territory known to it as of October 1, 2015 or, to the extent completion of all such repairs within that time period is impossible, shall at the closing date escrow with the Commission in accordance with the terms of this decision the balance of funds necessary to complete the repairs. Verizon California, Inc., shall submit a Tier 1 advice letter upon closing that contains a schedule showing all GO 95 non-conformances known to it as of October 1, 2015, which ones have not been completed prior to the closing date, and the estimated cost of completion, which shall equal the amount of escrowed funds. Escrowed

funds shall be deposited with the Commission's Fiscal Office which shall maintain them in a separate account from which disbursements to Frontier Communications Corporation may be made from time to time upon presentation of invoices and time records demonstrating compliance with the requirements of this decision. Such disbursements shall be made only on the instruction of the Commission's Communications Division which shall review such invoices and time records for compliance with the terms of this decision before authorizing any disbursement. If any funds remain after remediation of all GO 95 non-conformances known as of October 1, 2015, they shall be refunded to Verizon California, Inc. In the interval between the issuance of this decision and the closing of the Transaction, Verizon California Inc., shall fully comply with GO 133-C and complete a minimum of 90 percent of out of service repairs within 24 hours of receiving notice of the out of service condition.

6. Verizon California, Inc., shall file with the Commission a Tier 1 advice letter requesting approval in accordance with § 252 of the Federal Telecommunications Act of each of its executed Internet Protocol agreements for the exchange of voice traffic to which Frontier Communications Corporation will succeed. If such agreements are approved by the Commission, Frontier Communications Corporation shall make them available for opt-in by other carriers.

7. Frontier shall file with the Commission a Tier 1 advice disclosing the terms of its recently signed interconnection agreement with Verizon Business, including a fully executed copy of the agreement as an exhibit, which the Commission shall review to determine whether or not it is an interconnection agreement subject to the filing, approval and opt-in requirements of § 252 of the federal Telecommunications Act.

8. Within 60 days of the closing of the proposed transaction, Frontier shall provide to its newly acquired customers educational materials essentially equivalent to materials it already provides to its existing customers explaining the necessity for back-up batteries in connection with the use of a VoIP telephone.

9. As soon as possible, but in any case not later than 24-months from the closing of the Transaction, Frontier Communications Corporation shall: (a) bring overall network performance in its California service territory including the service territory acquired from Verizon California, Inc., in the Transaction up to General Order 133-C standards for out-of-service and major outage intervals; (b) apply for all California High-Cost Fund B subsidies for which it is eligible; and (c) open discussions with local broadband providers on means of partnering with them including, but not limited to, the Klamath River Broadband Initiative and Digital 395. In addition, by December 31, 2016, and annually thereafter for four years, Frontier shall submit a Tier 2 or Tier 3 advice letter containing a list of its exchanges which do not have diverse or redundant physical circuit connections. The advice letter shall identify any additional exchanges, including the timeline where Frontier shall deploy redundant network facilities and for exchanges in which Frontier determines that the deployment of redundant network facilities is not technically of financially feasible, Frontier will identify these technical or financial impediments and the actions it has taken in the exchanges to mitigate disruptions of services to customers.

10. For areas that are not in the census blocks, the Federal Communications Commission has identified as eligible for Connect America Funding, but are within the mapped areas of Urban/Wildland Interface high fire danger and tree die-off zones as identified in Geospacial Maps to be produced by the California

Department of Forestry and Fire Protection, the California Department of Natural Resources, the California Department of Transportation, and California Energy Commission, Frontier Communications Corporation shall consider those areas for priority in the execution of its commitments under the settlements approved in this decision, and shall give special attention to service maintenance and vegetation management in those areas.

11. Verizon California, Inc., shall transfer its unwritten franchise and all rights and obligations attendant thereto to Frontier Communications Corporation and no Verizon entity shall retain any of the rights or obligations attendant to that franchise.

12. Verizon California, Inc., and Frontier Communications Corporation (Frontier) shall take all steps necessary to apply for and obtain Connect America Fund and Remote Area Fund support from the Federal Communications Commission. To the extent that Frontier has discretion in the order in which such funds may be expended, Frontier shall spend them first on the most remote and underserved portions of the Verizon California, Inc., service territory where connections to schools and other "anchor" institutions may be deficient and where energy facilities and pole structures may be absent.

13. Frontier Communications Corporation (Frontier) shall perform, in a faithful and timely manner, all agreements made by it in the Settlements and the Memorandum of Understanding (MOU). Any party to a Settlement or an MOU may, at any time during the duration of the Settlement or the MOU, as the case may be, apply to this Commission for an order directing Frontier to perform one or more agreements contained in the Settlement or the MOU. Frontier consents to the jurisdiction of this Commission to enter an order enforcing the Settlements or the MOU.

14. The October 12, 2015 Opinion Letter of the Attorney General is entered into the evidentiary record of this proceeding and is marked for identification as Exhibit AG1.

15. Good cause having been shown, all pending motions for confidential treatment of information produced in response to data requests, or contained in briefs or in expert testimony including the exhibits thereto, are granted for a period of three years from the effective date of this decision.

16. Nothing in this decision shall prevent the Commission from ordering Frontier Communications Corporation (Frontier) to take actions inconsistent with its commitments in the Settlements or the Memoranda of Understanding (MOU). Any inconsistency between a Commission order and any term of any Settlement or MOU shall be resolved in favor of the Commission order. Frontier may not use any term of any Settlement or MOU as a defense against any future Commission order.

17. Application 15-03-005 is closed.

This order is effective today.

Dated _____, at San Francisco, California.