Decision 15-12-005 December 3, 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)

DECISION GRANTING APPLICATION SUBJECT TO CONDITIONS AND APPROVING RELATED SETTLEMENTS

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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 September 30, 2015, Frontier and the National Diversity Coalition (NDC) executed a Memorandum of Understanding (Joint Minority Parties MOU). A copy of the Joint Minority Parties MOU is attached to this decision as Appendix G.

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

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

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 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.

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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…"

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 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 protesters objections to the Transaction and their suggested conditions to be imposed on approval.

2.1. Joint Applicants 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.

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

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

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

Type of Condition	Number	Parties Proposing Conditions
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 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

5 *Ibid.* at 18.

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.

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. 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

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[11] *Id.* at 15.

[12] *Ibid.*

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

[14] *Id.* at 15.

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

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 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

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[16] Id.

[17] Id.

[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.

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]

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),

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[20] *Id.* at 7.

[21] *Id.* at 11.

[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.

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]

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]

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[24] *Ibid.* at 13.

[25] Id.

[26] Id.

[27] *Id.*

[28] Id.

[29] *Ibid.* at 14.

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 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

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

31 *Id.* at 9.

32 *Ibid.*

33 *Ibid.*

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 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]

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

[35] Id.

[36] Id.

[37] *Ibid.* at 10.

[38] *Ibid.* at 11.

[39] Id.

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 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

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[40] *Ibid.* at 12.

[41] *Ibid.* at 14.

[42] *Id.*

§ 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 entered into with a CLEC in another area in California in 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

[43] *Ibid.* at 15-16.

[44] *Id.*

[45] *Id.*

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]

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

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46 *Id.*

47 *Id.*

48 *Id.*

49 *Ibid.* at 22.

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]

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

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50 *Ibid.* at 30.

51 *Id.*

52 *Id.*

53 *Id.*

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; 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]

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[54] *Ibid.* at 31.

[55] *Id.*

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

[57] *Id.*

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 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]

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58 *Id.*

59 *Id.*

60 *Id.*

61 *Ibid,* at 133.

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 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%

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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.

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 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]

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64 Selwyn Supplemental Testimony at 100.

65 Selwyn Reply Testimony at 82.

66 *Ibid.* at 57.

67 *Ibid.* at vii.

68 ORA Opening Brief, Appendix A, Condition 8.

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 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

[69] *Ibid.*, Condition 9.

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 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

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70 *Id.*

71 *Ibid.* Condition 10.

72 *Ibid.* Condition 11.

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; 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;

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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.

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 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

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

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 one year from the 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.

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

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

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[77] *Ibid.* Condition 16.

[78] *Ibid.* Condition 17.

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]

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

[79] *Ibid.* Condition 18.

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

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

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

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]

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

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

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

[85] Gallardo Supplemental Testimony at 17.

[86] *Id.*

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 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

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

[88] Gallardo Opening Testimony at 1-13.

[89] ORA Opening Brief Condition 24.

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 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]

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[90] *Ibid.* Condition 25.

[91] Baldwin Opening Testimony at 5-6.

[92] *Ibid.*, at 45.

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

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

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 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

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

[96] *Ibid*. at 7.

[97] *Ibid.* at 136.

[98] *Ibid.* at 149.

[99] Baldwin Supplemental Testimony at 55.

[100] Baldwin Opening Testimony at 171.

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 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

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

102 *Ibid.* at 8, 157.

103 *Id.*

104 *Ibid.* at 9.

105 *Id.*

106 *Id.*

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 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]

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

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

[109] *Ibid.* at 11.

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

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 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

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

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

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

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

[115] *Id.*

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]

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

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116 *Ibid.* at 167, 172.

117 Brevitz Opening Testimony at 73.

118 *Ibid.* at 74.

119 *Id.*

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 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, the Joint Minority Parties 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

[120] Baldwin Supplemental Testimony at 37-38.

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

[122] Brevitz Supplemental Testimony at 14.

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)? **No.**
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

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

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 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

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

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 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

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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.

have broadband for the first time or benefit from increased broadband speeds.[128]

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

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

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 IP-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 VoIP-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.

3.2.5. Joint Minority Parties MOU

The MOU includes the following major points:

1. Consumer Advisory Board: Frontier Communications will create a Consumer Advisory Board with a geographic racial, ethnic and gender balance that reflects the diversity of the state. Senior executives from Frontier will meet quarterly with the Advisory

Board. Frontier's CEO will support and will be invited to attend the Consumer Advisory Board meeting no less than once per year. The Advisory Board will continue for a minimum of three years and then be reviewed in the context of ongoing changes and needs of consumers in California.

2. Supplier Diversity: Frontier, in coordination with NDC, will make commercially reasonable efforts to (a) gather data on its supplier diversity agreements with all veterans to supplement its GO-156 reports on disabled veterans (b) develop mechanisms to separately report by race, ethnicity and gender, and other GO-156 categories, the dollar amount and percentage of contracts awarded to businesses with $1 million or less in revenue, $5 million or less in revenue and $10 million or less in revenue (c) develop a public report on an annual basis of estimated jobs created in California by Frontier's supplier diversity program and (d) develop a format, where feasible, to report disaggregated supplier diversity broken down by major Asian American sub-ethnic groups.

3. Employment Diversity: Frontier Communications will work with the NDC towards ensuring that its senior executive, professional and management teams, as well as its overall employment reflect the diversity of the communities it serves in California.

4. Outreach to Underserved Communities: Frontier will attempt to provide the most effective updated technology with competitive pricing throughout its service area, including rural areas. Frontier will publicize the availability of the FCC Broadband Lifeline program when it becomes available and implement processes to offer the service to all qualifying customers.

5. Philanthropy: Frontier will report annually on the dollar amount and purposes of its philanthropy, including to faith-based, minority community-based

and other non-profit institutions providing services to underserved communities.

6. Consumer Service Centers: Frontier Communications and NDC will together to maximize service, which will include effective approaches to hearing and addressing complaints from within minority communities.
7. Diverse Language Options: Frontier will work with NDC to identify a broad range of communities that are underserved by present language facilities. It is the goal of the parties, with support from the FCC and the CPUC, to develop a plan in the near future that will effectively serve more diverse communities where English is not their first language

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

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

130 *Ibid.* at 7.

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 to correct all known GO 95 deficiencies.[134] As part of this decision, we will require Verizon to correct as many known GO 95 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;

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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.

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

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 133-C 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]

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]

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

[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

Footnote continued on next page

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.

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

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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.

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 firsthand 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 letter 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 or 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 December 3, 2015, at San Francisco, California.

MICHAEL PICKER
President
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
CARLA J. PETERMAN
LIANE M. RANDOLPH
Commissioners

I reserve the right to file a concurrence.
/s/ CATHERINE J.K. SANDOVAL

APPENDIX A

AGREEMENT

NOW, THEREFORE, based upon mutual agreement reflected in this Settlement Agreement, Frontier and the Joint CLECs agree to resolve issues raised by the Joint CLECs as follows:

A. Interconnection Agreements, Wholesale Tariffs and Other Wholesale Contracts:

1. Frontier will honor Verizon California's existing interconnection agreements entered into pursuant to Sections 251 and 252 of the Communications Act of 1996 and filed with the California PUC ("Interconnection Agreement"), for the later of: their remaining terms or January 1, 2019 (hereinafter "Extended Term").

2. Frontier will not request negotiation of any amendment to an effective Interconnection Agreement with Verizon California except for change of law amendments until expiration of the Extended Term.

3. Frontier will permit any CLEC to use its existing Interconnection Agreement with Verizon California as the starting draft for negotiating a new or replacement Interconnection Agreement for California.

4. Frontier will grandfather and continue to provide any Verizon California Interconnection Agreement services provided to a particular Joint CLEC as of the completion of the California Transaction ("Closing") or wholesale services included in Verizon California intrastate carrier service tariffs and regulated by the Commission ("Wholesale Tariffs") during the Extended Term.

5. Frontier will honor, assume or take assignment, in whole or in part, of all obligations under Verizon California Wholesale Tariffs and Frontier shall not terminate or increase the Wholesale Tariff rates in effect as of Closing, including maintaining

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existing bill-and-keep arrangements, terms or conditions of any effective Wholesale Tariffs during the Extended Term.

6. Rates for Unbundled Network Elements offered pursuant to Section 251(c)(3), and rates for 251(c) facilities or arrangements offered pursuant to an Interconnection Agreement in effect as of Closing shall not be increased by Frontier during the Extended Term. Frontier will be permitted to advise the Commission that it plans to seek a rate increase in these rates no earlier than one year after Closing. Nothing herein shall be construed to prevent CALTEL, or any Joint CLECs from intervening and opposing such a request.

7. Frontier agrees that Verizon California will adjust revenue commitments and volume thresholds for CLECs with volume and term agreements so that customers retain the same contractual rights after the Closing. Following the Closing, CLECs that maintain the volumes they purchase in California will pay the same effective rates under the volume and term agreements after the Closing that were in effect for California services at Closing.

8. Frontier will honor Verizon California's existing wholesale agreements with CLECs (regardless of whether such contracts is expired by its terms if services are provided under that contract as of the closing date)) entered into as commercial agreements.

B. Operational Support Systems and Performance Metrics:

9. Frontier shall implement electronically bonded ("e-bonded") Frontier Operational Support Systems ("Frontier Systems") that comply with industry standards and maintain in aggregate similar quality of service and level of flow through

capability for local number portability ("LNP") and directory listing ("DL") orders as the current Verizon California Operational Support Systems ("Verizon California OSS") for Access Service Requests ("ASRs") associated with ordering interconnection facility trunks, and for Local Service Requests ("LSRs") associated with LNP and DL orders. The e-bonded Frontier Systems will include associated pre-ordering, ordering, maintenance and provisioning functionality.

10. Frontier will establish and permit CLECs that have submitted orders to Verizon California within one year prior to Closing to use a testing environment on the Frontier Systems to test wholesale orders, including orders for interconnection facilities and trunks and LNP and DL orders. Frontier will work with CLECs on a business-to-business basis to identify and correct any problems that arise during such testing prior to cutover.

11. Frontier shall provide CLECs that do not currently use the Frontier Systems in at least one Frontier service area a 90-day notice period prior to Closing to implement and obtain training. Between 15 and 90 days prior to the Frontier Systems cutover Frontier shall provide at no cost to a requesting CLEC training sessions regarding the use of Frontier's Systems for entering LSR, DL and ASR orders (including pre-ordering, ordering, maintenance and provisioning functions).

12. Frontier will take steps to mitigate extended delays or adverse consequences, related to wholesale provisioning and repair intervals as a result of the OSS conversion. Frontier will deploy sufficient staff, including additional employees, to respond to and mitigate service issues that may arise during and following the conversion.

Frontier will proactively communicate to CLECs account manager and escalation lists, along with a description of the actions and timelines associated with these mitigation measures.

13. Frontier will comply with reporting requirements for applicable performance metrics that currently apply to Verizon California, including retail services subject to G.O 133-C, UNEs and other 251/252 services subject to the Joint Partial Settlement Agreement (JPSA), and special access, Wholesale Advantage and other services subject to contractual Service Level Agreements (SLAs). On an aggregate basis considering all reported JPSA metrics, Frontier will provide comparable or better performance than that provided by Verizon California in the year prior to Closing.

14. Frontier will maintain a Change Management Process ("CMP") including CMP meetings, the frequency of which for the first 12 months from Closing shall be monthly, and thereafter, as agreed upon by the Parties.

C. Miscellaneous:

15. Frontier shall provide to CALTEL's Executive Director as well as to individual CLECs, including but not limited to those wholesale customers that purchase UNEs, special access services, and collocation arrangements, and shall maintain on a going-forward basis, updated escalation procedures, contact lists and account manager information as are in place at least 30 days prior to the Closing. The updated contact lists shall identify and assign a single point of contact or account manager ("SPOC") for the CLECs with the authority to address ordering, provisioning, billing and Frontier System maintenance issues. Frontier agrees that CALTEL may be requested by its members to interface with the SPOC and/or document issues that are common

to one or more CALTEL members. Frontier will work with CALTEL and/or individual CLECs to identify the appropriate point of contact to address technical and network escalation issues.

16. Frontier shall ensure that the Wholesale and CLEC support centers are sufficiently staffed by adequately trained personnel dedicated exclusively to wholesale operations so as to provide a level of service that is at least of the same level of quality provided by Verizon California prior to Closing.

17. Frontier shall not seek to eliminate any of Verizon California's current obligations under Section 251 of the Communications Act or the Federal Communications Commission's ("FCC") rules implementing Section 251 except pursuant to generally-applicable changes resulting from court interpretations of Section 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 Section 10 of the Communications Act seeking forbearance from any Section 251 or dominant carrier regulation. Frontier shall also not file any requests to seek relief (to the extent it might be available) to be characterized as a rural carrier under or pursuant to Section 251(f)(1). Frontier agrees that if Verizon or Frontier builds transport facilities between non-contiguous Verizon California exchanges in the same local calling area, and sufficient transport capacity exists, Frontier will make the transport facilities available between the exchanges in accordance with the terms of an ICA between the parties or on commercially agreed upon terms.

18. Frontier will not require carriers to pay construction charges to install fiber, if working copper facilities have capacity and are available. Frontier will perform routine network modifications on copper facilities as Frontier reasonable determines to be appropriate and necessary. If Frontier denies any service request on the basis that no facilities are available, Frontier will inform the requesting CLEC of the copper facilities that terminate at the requested service location and identify the copper facilities that were tested.

19. For each collocation arrangement (including expansion) or power augment provided under the existing Verizon California Interconnection Agreement for which Frontier seeks to assess new build ICB charges (NRCs, MRCs, or both), Frontier will provide the CLEC with a detailed cost estimate, including details regarding equipment being purchased, construction timeline, and documentation demonstrating the proposed charges only cover the reasonable costs attributable to the request. A Joint CLEC will have the right to dispute the collocation estimate via the dispute resolution process contained in its Interconnection Agreement

20. Frontier commits to work in good faith to promptly resolve any billing disputes that were not resolved with Verizon California prior to Closing.

21. Frontier commits to meeting with CALTEL and the other Joint CLECs following Closing to discuss in good faith alternative or commercial arrangements on a case by case basis that may allow a CLEC to interconnect Verizon California noncontiguous service areas in California.

22. Except as provided in paragraph 24 and 25 below, the Joint CLECs agree that CALTEL its members, PAETEC and O1 Communications will not oppose, seek to

delay, or seek to impose conditions on the proposed transaction regarding Frontier's acquisition of the Verizon California operations in California in any federal, state or local regulatory or legislative proceeding, including Docket 15-03-005. As agreed to by Frontier and the Joint CLECs and based on applicable regulatory requirements, the Parties will file a joint motion with the Commission asking the Commission to approve this Settlement Agreement in Docket 15-03-005.

23. Frontier agrees that nothing in this Settlement Agreement prohibits CALTEL or the other Joint CLECs from advocating (including by filing comments, briefs and testimony), in this or any other Commission proceeding that:

1) 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;

2) the Commission should require Frontier to file and make available for opt-in on a non-discriminatory basis agreements relating to the exchange of 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 carrier or IP provider in the areas served by the Frontier ILEC.

3) XO Communications, as a member of CALTEL, from advocating in this or any other proceeding with respect to those issue set forth in the testimony XO Communications filed on July 28, 2015 in Application 15-03-005. . In addition, XO

Communications is not precluded from responding to pre-filed testimony of Frontier and Verizon concerning XO specific issues.

24. Frontier agrees that nothing in this Settlement Agreement forecloses any of the Joint CLECs from opposing, seeking delay, or seeking to impose conditions at the FCC or in any regulatory, legislative or judicial proceedings, which concern intrastate services outside California, interstate or unregulated services or issues of national interest.

D. Legal Terms:

A. The provisions of this Settlement Agreement are not severable and shall only become effective after the Commission has entered an order approving this Settlement Agreement without modification. If the Proposed Transaction is not approved by the Commission, or otherwise does not close, or this Settlement Agreement is modified in any way by the Commission, the Settlement Agreement is null and void. If the Commission orders any changes to the Settlement Agreement, the Parties agree to negotiate in good faith in order to restore the balance of benefits and burdens of the Settlement Agreement in light of the Commission's decision.

B. Unless expressly provided herein the obligations under the Settlement Agreement expire January 1, 2019.

C. Frontier agrees to provide quarterly compliance reports for all settlement terms herein to the service list in this proceeding (or a new proceeding established for compliance monitoring) during the term of this agreement. CALTEL and/or individual Joint CLECs will have the opportunity to notify Frontier with any complaints about compliance, and be afforded the opportunity of speedy resolution of any disputes. If the Commission determines that Frontier does not promptly and fully comply with the terms of this Settlement Agreement then CALTEL, or individual Joint CLECs, may take enforcement action against Frontier.

D. The Commission shall have exclusive jurisdiction over any issues related to this Settlement Agreement and no other court, regulatory agency or other governing body will have jurisdiction over any issue related to the interpretation of this Settlement Agreement, or the rights of the Parties in this Settlement Agreement, with the exception of any court that may now or in the future, by statute or otherwise, have jurisdiction to review Commission decisions.

E. This Settlement Agreement was jointly prepared by the Parties and any uncertainty or ambiguity existing in the document will not be interpreted against any party on the basis that such party drafted or prepared the Settlement Agreement.

F. Each of the undersigned Parties agrees to abide by the terms of this Settlement Agreement. The rights conferred and obligations imposed on any Party by the Settlement Agreement shall inure to the benefit of and be binding on that Party's successors in interest and assignees as if such successor or assignee were itself a party hereto.

G. The Settlement Agreement may be executed in counterparts.

H. This Settlement Agreement constitutes and represents the entire agreement between the Parties and supersedes all prior and contemporaneous agreements, negotiations,

representations, warranties and understandings of the Parties with respect to the subject matter set forth herein.

I. This Settlement Agreement cannot be amended or changed except by a written amendment signed by all Parties and approved by the Commission.

J. By signing below, each signatory represents and warrants that he/she is authorized to sign this Settlement Agreement on such Party's behalf and thereby binds such Party to the terms of this Settlement Agreement.

FRONTIER COMMUNICATIONS CORPORATION

Dated: ______________________ By: ______________________

CALIFORNIA ASSOCIATION OF COMPETITIVE COMPANIES

Dated: ______________________ By: ______________________

PAETEC COMMUNICATIONS INC.

Dated: 9-4-15 By: [signature]

O1 COMMUNICATIONS

Dated: ______________________ By: ______________________

representations, warranties and understandings of the Parties with respect to the subject matter set forth herein.

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Dated: ______________________ By: ______________________

O1 COMMUNICATIONS

Dated: 9/4/15 By: [signature]

COOPER, WHITE & COOPER LLP
ATTORNEYS AT LAW
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SAN FRANCISCO, CA 94111-5002

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Dated: 9-4-15 By: ______________________

CALIFORNIA ASSOCIATION OF COMPETITIVE COMPANIES

Dated: ______________________ By: ______________________

PAETEC COMMUNICATIONS INC.

Dated: ______________________ By: ______________________

O1 COMMUNICATIONS

Dated: ______________________ By: ______________________

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FRONTIER COMMUNICATIONS CORPORATION

Dated: ______________________ By: ______________________

CALIFORNIA ASSOCIATION OF COMPETITIVE COMPANIES

Dated: 9/4/15 By: Nancy E Lubamersky

PAETEC COMMUNICATIONS INC.

Dated: ______________________ By: ______________________

O1 COMMUNICATIONS

Dated: ______________________ By: ______________________

(END OF APPENDIX A)

APPENDIX B

FILED
9-08-15
04:59 PM

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 (U 5429C), Verizon California Inc. (U 1002 C), Verizon Long Distance, LLC (U 5732 C), 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)

JOINT MOTION FOR ADOPTION OF SETTLEMENT AGREEMENT

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Attorneys for Frontier Communications Corporation and Frontier Communications of America, Inc.

September 8, 2015

I. INTRODUCTION.

Pursuant to Rule 12.1 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure ("Rules"), Frontier Communications Corporation and Frontier Communications of America, Inc. (collectively, "Frontier") and Cox California Telcom, LLC dba Cox Communications ("Cox") each join in this Joint Motion. Frontier and Cox are collectively identified as the "Parties." The Parties request the Commission adopt the Settlement Agreement entered into between and among the Parties on September 4, 2015 ("Settlement Agreement") as to the issues covered by the Settlement Agreement. A copy of the Settlement Agreement is attached hereto as Exhibit 1. This motion is being submitted contemporaneously with a Motion for Order Shortening Time, pursuant to which the Parties request that comments on the Settlement Agreement presented by this Motion be submitted within 15 days, with a due date of September 23, 2015. This will allow all views on this Settlement Agreement to be known sufficiently in advance of the briefing dates to allow these issues to be fully addressed in the briefs.

The Settlement Agreement reflects the agreed-upon resolution of issues raised by Cox in this proceeding and the Parties submit that the attached Settlement Agreement is reasonable in light of the whole record, consistent with the law, and in the public interest. This Settlement Agreement meets the standard under Rule 12.1(d), and should be adopted by the Commission as a resolution of the issues raised by Cox in this proceeding.

II. PROCEDURAL BACKGROUND.

Frontier and Verizon California Inc. ("Verizon California"), Verizon Long Distance and Newco West Holdings LLC filed Application 15-03-005 on March 18, 2015 seeking Commission approval to transfer assets and certifications held by Verizon California to Frontier ("the Transaction"). Cox filed a Response to the Application on April 27, 2015 highlighting areas of concern relating to the effects of the Transaction on Cox. Frontier replied to the Cox Response in a Reply filed on May 7, 2015 addressing the subjects in Cox's Response.

Frontier submitted pre-filed testimony summarizing the proposed Transaction between Frontier and Verizon and addressing its compliance with the California Public Utilities Code and Commission Rules, including the requirements of Public Utilities Code Section 854. Cox propounded various Data Requests on the Applicants related to concerns Cox raised in its Response to the Application.

On June 5, 2015 the Administration Law Judge ("ALJ") issued a ruling setting a series of Public Participation Hearings ("PPH") to be held throughout Verizon's service territory. These PPHs have been ongoing as scheduled. On June 10, 2015 the assigned and the Assigned Commissioner jointly presided over a prehearing conference ("PHC"). On July 2, 2015 the Assigned Commissioner issued an Amended Scoping Ruling incorporating several additional issues raised at the PHC.

The Parties have engaged in substantive settlement discussions to settle issues and concerns raised by Cox in this proceeding. Key issues discussed and now resolved through this Settlement Agreement include: (1) extension of Section 251/252 Interconnection Agreement; (2) wholesale Operations Support Systems ("OSS"), (3) business processes and resources/staffing, (4) good-faith negotiations for a stand-alone conduit occupancy agreement; (5) transfer of and coordination of Ethernet services.

A settlement conference regarding wholesale and carrier issues was attended by various other parties to the proceeding on August 21, 2015, in accordance with Rule 12.1(b). The Parties have now arrived at an agreement that is reasonable in light of the record, is in the public interest, and is consistent with the law of the State of California. The Settlement Agreement resolves key issues raised by Cox. Resolving these key issues is in the public interest, and therefore, the Parties hereby request the Commission approve this Settlement Agreement.

III. SUMMARY OF SETTLEMENT AGREEMENT.

As a result of their negotiations, the Parties have resolved the outstanding issues raised by Cox as follows:

A. The Settlement Agreement provides that Frontier will honor all Cox-Verizon California Interconnection Agreements through and extended term of January 1, 2019; that it will continue month-to-month thereafter until terminated; and that, prior to the expiration of the extended term, Frontier will not request negotiation of the interconnection agreement except for change of law amendments. In the event the closing of the Transaction is delayed beyond March

31, 2016, the extended term will be extended one fiscal quarter for each fiscal quarter the closing is delayed (*e.g.* if Closing occurred in April 2016, the Extended Term would be March 31, 2019).

B. The Settlement Agreement provides that Frontier will assign a single point of contact dedicated to assist Cox with ordering, provisioning, and trouble tickets turning the transition to Frontier, and sets forth related procedures and conditions.

C. The Settlement Agreement provides that the Parties will engage in good faith negotiations for a stand-alone conduit occupancy agreement and sets forth related procedures and conditions.

D. The Settlement Agreement provides that Frontier will participate in discussions with Cox and Verizon Business concerning the transfer of existing Ethernet services and coordination of ordering Ethernet services after the Close of the Transaction.

The Settlement Agreement resolves certain issues identified by Cox, and Cox does not intend to continue actively participating in this proceeding. However, Cox is not waiving or foregoing its right or opportunity to benefit from any condition, requirement, or the like that Frontier or Verizon may agree to, or that the FCC or state commission may adopt.

IV. THE SETTLEMENT AGREEMENT IS REASONABLE, LAWFUL, AND IN THE PUBLIC INTEREST.

To obtain Commission approval of a settlement, the parties must demonstrate that the settlement is reasonable in light of the whole record, consistent with law, and in the public interest. *See* Rule 12.1(d). In evaluating settlements, the Commission has recognized a strong public policy in California favoring settlements and avoiding litigation. *Re Pacific Bell*, 45 CPUC.2d 158, 169, D.92-07-076 (July 22, 1992). The Settlement Agreement satisfies all three requirements of Rule 12.1(d) and should be adopted.

First, the terms of the Settlement Agreement are reasonable in light of the whole record. The Settlement Agreement resolves multiple issues related to Frontier serving as the incumbent LEC in the Verizon California service territory and Cox continuing to compete in a portion of that service territory, and thereby addresses concerns raised regarding the competitive local exchange market as a result of the Transaction.

Second, the Settlement Agreement is consistent with applicable law. California Public Utilities Code Sections 851 through 854 set forth the criteria for the Commission's review of mergers such as in this case. One of the key provisions is for the Commission to assure that the transaction will not adversely affect competition (PU Code § 854(b)(3)). This Settlement Agreement reflects an agreement between Frontier and one of its competitors regarding a set of terms that should allow them to compete on reasonable terms.

Third, the public interest supports adoption of the Settlement Agreement. Under this Agreement, upon completion of the Transaction, Frontier will adhere to certain requirement intended to allow Cox to continue to provide service to its end user retail customers and the Agreement helps to facilitate a prompt review of this Application by the Commission. For these reasons, and all the detailed factual references in the Settlement Agreement itself, adopting the Settlement Agreement is in the public interest.

V. CONCLUSION.

Based on the foregoing, the Parties respectfully request that the Commission grant this Joint Motion and adopt the Settlement Agreement in its entirety as a resolution of the majority of the issues presented by competitive carriers in this proceeding.

DATED: September 8, 2015 TOBIAS LAW OFFICE

By: /s/ Margaret L. Tobias
Margaret L. Tobias
Attorneys for Counsel for Cox California Telcom, LLC dba Cox Communications

DATED: September 8, 2015 COOPER, WHITE & COOPER LLP

By: /s/ Patrick M. Rosvall
Patrick M. Rosvall
Attorneys for Frontier Communications Corporation and Frontier Communications of America, Inc.

Exhibit 1

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. (U 5429 C), Verizon California Inc. (U 1002 C), Verizon Long Distance, LLC (U 5732 C), 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)

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into as of September 4, 2015 by and among Frontier Communications Corporation "Frontier"), and Cox California Telcom, LLC dba Cox Communications ("Cox"), in accordance with Article 12 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure ("Rules"). Frontier and Cox are referred to collectively as the "Parties."

RECITALS

WHEREAS, on March 18, 2015 Frontier and Verizon jointly filed this Application for approval of a transfer of control of Verizon California Inc. ("Verizon California") to Frontier and related approval to transfer assets and certifications held by Verizon California (the "Transaction"); and

WHEREAS, Cox filed a Response to the Application on April 27, 2015 highlighting areas of concern relating to the effects of the Transaction on Competitive Local Exchange Carriers ("CLECs"); and

WHEREAS, on May 7, 2015, Frontier submitted a reply to Cox's Response to the Application that addressed the subjects in Cox's Response;

WHEREAS, on May 11, 2015, Frontier submitted pre-filed testimony summarizing the proposed Transaction between Frontier and Verizon, and addressing California Public Utilities

Code and Commission Rules, including the requirements of Public Utilities Code Section 854; and

WHEREAS, Cox propounded various Data Requests on the Applicants related to concerns Cox raised in its Response to the Application; and

WHEREAS, the Parties have engaged in substantive settlement discussions to settle issues and concerns raised by Cox in this proceeding; and

WHEREAS, a settlement conference to address various wholesale and CLEC settlement issues in the docket was noticed and attended by various other parties to the proceeding on August 21, 2015, in accordance with Rule 12.1(b); and

WHEREAS, Frontier and Cox have arrived at an agreement that is reasonable in light of the record, is in the public interest, and is consistent with the law of the State of California.

AGREEMENT

NOW, THEREFORE, based upon mutual agreement reflected in this Settlement Agreement, Frontier and Cox agree to resolve issues raised by Cox in this proceeding as follows:

A. Interconnection Agreement

1. Frontier will honor the Cox-Verizon California Interconnection Agreement entered into pursuant to Sections 251 and 252 of the Communications Act of 1996 and filed with the California PUC ("Interconnection Agreement") until January 1, 2019 ("Extended Term"). In the event the Closing of the proposed Transaction is delayed beyond March 31, 2016, the Extended Term will be extended one fiscal quarter for each fiscal quarter the Closing is delayed (e.g. if Closing occurred in April 2016, the Extended Term would be March 31, 2019).

2. Upon expiration of the Extended Term, the Interconnection Agreement will continue in force and effect on a month-to-month basis unless and until terminated as provided in the Interconnection Agreement.

3. Until after expiration of the Extended Term, Frontier will not request negotiation of any amendment to Cox--Verizon California Interconnection Agreement, except for change of law amendments.

4. If Frontier agrees (i.e via stipulation, settlement agreement or otherwise), or is required by the Commission or the Federal Communications Commission ("FCC"), to extend any Section

251/252 Interconnection Agreement to which a Verizon ILEC is a party for a longer period than the Extended Term, Frontier will promptly make such longer extended term available to Cox.

B. Support

5. At least thirty (30) days prior to the Closing of the Transaction, Frontier will assign a single point of contact ("SPOC") as a dedicated resource for assisting Cox with ordering, provisioning and trouble tickets during the transition and cut over from Verizon California to Frontier. At a minimum, such resource will:

(a) be knowledgeable of Frontier's systems, the cut-over process that Frontier and Verizon have put in place between themselves, as well as Frontier's transition and cut-over process for CLECs;

(b) effective as of the Closing, be available prior to, during and until resolution of all issues arising from the cutover from Verizon's OSS to Frontier's OSS;

(c) will be available and staffed with additional supporting personnel to enable prompt responses to issues identified by Cox;

(d) will coordinate resolution of issues related to Ethernet services that Cox ordered from Verizon California prior to the Closing and/or from Frontier California after the Closing; and

(e) will be authorized to timely resolve issues raised by Cox and/or be authorized to escalate Cox's issues directly to other Frontier personnel who will have decision-making authority to timely resolve Cox's issues. Frontier will provide the SPOC's manager contact information in the event issues are not being timely resolved. In the event the SPOC terminates employment prior to ninety days after the Closing, Frontier will promptly assign another resource that satisfies the requirements of this section.

C. Conduit Occupancy Agreement

6. Beginning in September 2015 and continuing through the pendency of the regulatory approval of this settlement and the Transaction, Frontier and Cox will commence good-faith negotiations for a stand-alone conduit occupancy agreement for the Verizon California service area and such agreement will go into effect after closing of the proposed Transaction.

7. Frontier and Cox will use a Frontier-provided template conduit agreement as the basis for their negotiations.

8. As mutually agreed upon by the parties, Frontier and Cox may negotiate a combined pole attachment and conduit occupancy agreement in place of a stand-alone conduit agreement.

9. Frontier and Cox will complete negotiations and will execute a final conduit occupancy agreement prior to December 31, 2015, with the effective date being the Closing of the Transaction.

D. Ethernet Services

10. Except as otherwise limited by Cox or Verizon Business, Frontier will participate in discussions with Cox and Verizon Business concerning the transition of Ethernet services offered under the existing agreements Cox has with Verizon affiliated entities and will address Cox's ordering of such Ethernet facilities that currently are provided by Verizon California either directly or indirectly by Verizon Business.

E. Other

11. The terms of this Settlement Agreement resolve certain issues identified by Cox and upon signing the Settlement Agreement, Cox does not intend to continue actively participating in A.15-03-005. Notwithstanding the foregoing, Frontier acknowledges that Cox is not waiving or otherwise foregoing its right or opportunity to benefit from any condition, requirement or the like that Frontier and/or Verizon may agree to, that the FCC may adopt and/ or that any state commission proceeding addressing the Transaction may adopt.

F. Legal Terms:

12. The provisions of this Settlement Agreement are not severable and shall only become effective after the Commission has entered an order approving this Settlement Agreement without modification. If the Proposed Transaction is not approved by the California Commission, or otherwise does not close, or this Settlement Agreement is modified in any substantive manner by the California Commission, the Settlement Agreement is null and void.

13. Unless expressly provided herein the obligations under the Settlement Agreement will expire 36 months from execution of this Agreement.

14. Cox will have the opportunity to notify Frontier with any complaints about compliance with the requirements herein, and be afforded the opportunity of speedy resolution of any disputes. If the Commission determines that Frontier does not promptly and fully comply with these terms then Cox, or individual CLECs, may take enforcement action against Frontier.

15. The Commission shall have exclusive jurisdiction over any issues related to this Settlement Agreement and no other court, regulatory agency or other governing body will have jurisdiction over any issue related to the interpretation of this Settlement Agreement, or the rights of the Parties in this Settlement Agreement, with the exception of any court that may now or in the future, by statute or otherwise, have jurisdiction to review Commission decisions.

16. This Settlement Agreement was jointly prepared by the Parties and any uncertainty or ambiguity existing in the document will not be interpreted against any party on the basis that such party drafted or prepared the Settlement Agreement.

17. Each of the undersigned Parties agrees to abide by the terms of this Settlement Agreement.

18. The Settlement Agreement may be executed in counterparts.

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

20. This Settlement Agreement cannot be amended or changed except by a written amendment signed by both Parties and approved by the Commission.

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21. By signing below, each signatory represents and warrants that he/she is authorized to sign this Settlement Agreement on such Party's behalf and thereby binds such Party to the terms of this Settlement Agreement.

FRONTIER COMMUNICATIONS CORPORATION

Dated: ______________________ By: ______________________

COX CALIFORNIA TELCOM, LLC dba COX COMMUNICATIONS

Dated: 9-3-15 By: ______________________

COOPER, WHITE & COOPER LLP
ATTORNEYS AT LAW
201 CALIFORNIA STREET
SAN FRANCISCO, CA 94111-5002

21. By signing below, each signatory represents and warrants that he/she is authorized to sign this Settlement Agreement on such Party's behalf and thereby binds such Party to the terms of this Settlement Agreement.

FRONTIER COMMUNICATIONS CORPORATION

Dated: 9-4-15 By: ____________________

COX CALIFORNIA TELCOM, LLC dba COX COMMUNICATIONS

Dated: ____________________ By: ____________________

(END OF APPENDIX B)

APPENDIX C

Memorandum of Understanding
Between The Greenlining Institute and Frontier Communications

This Memorandum of Understanding (MOU or agreement) between Frontier Communications (Frontier), The Greenlining Institute (Greenlining), and the Greenlining Coalition is intended to resolve a number of outstanding issues in the proposed transaction between Frontier and Verizon California. Frontier, Greenlining, and members of the Greenlining Coalition feel that the best way to ensure that the proposed transaction benefits communities of color is through collaboration and continued dialogue.

1. Resolution of Specific Issues

This MOU only addresses the specific issues discussed below. Greenlining takes no position on any other issue, including the issues of Frontier's financial and/or operational capacity, Verizon's responsibility for the state of its network, rate freezes, or service quality. Greenlining and the Greenlining Coalition feel that this agreement will result in the transaction fulfilling the applicable public interest benefits requirements.

2. Cooperative Framework

   a. For a minimum of three years, Frontier's Area President, West Region, will meet on an annual basis with Greenlining to provide updates on the issues discussed in this MOU.
   b. Frontier's CEO will meet with Greenlining within twelve (12) months of the close of the proposed Transaction.
   c. Within six months of the close of the transaction, Frontier will introduce members of the Greenlining Coalition to the Area President's direct reports who will be responsible for parts of the commitments in this MOU.
   d. To further advance the interests and concerns of consumers, particularly communities of color, Frontier Communications will create a Consumer Advisory Board (hereafter, the Board). Greenlining and Frontier Communications agree that the Board's composition should accurately reflect the growing diversity of California. Greenlining may nominate candidates for the Board and Frontier Communications will determine the final composition of the Board.

3. Supplier Diversity:

   a. Upon commencement of Frontier's operation in its acquired markets in California, Frontier will ensure that it makes supplier diversity a business priority.
      i. Frontier will use a combination of national (centralized) and local (West region) team members as it works to achieve the prioritization level of supplier diversity Verizon California has maintained. Greenlining agrees that Frontier will exclusively control the hiring and compensation of these employees.

ii. Frontier will set an aspirational goal of 25% MBE supplier diversity hiring by 2019, which is consistent with Verizon California's 2014 MBE supplier diversity spend. Greenlining and Frontier agree, however, that there is no commitment or obligation to attainment of a specific MBE supplier diversity percentage.

b. Supplier Diversity is defined as women; minority; lesbian, gay, bisexual and transgender (LGBT); and disabled veteran-owned business enterprises.

c. Frontier will annually report its supplier diversity spending for all of its California operations, including Citizens Telecommunications, Frontier Southwest, and Frontier Communications, to the California Public Utilities Commission as set forth in the Commission's General Order 156.

d. Frontier's designated supplier diversity employees will annually meet Greenlining to discuss the annual CPUC report. This meeting can be separate from the annual meeting discussed in Section 2.

e. Frontier's public-facing website will include a message from its CEO regarding the importance of supplier diversity.

f. A minimum of four times annually, Frontier's Area President, West Region will communicate the importance of supplier diversity to Frontier's local managers. Frontier will determine and execute these communications, and will update Greenlining on these communications on an annual basis.

g. As Frontier identifies opportunities for contractors associated with certain projects and initiatives in California, the Company will work to ensure that leaders of multiple diverse organizations are contacted proactively as part of the method to build the sourcing and hiring pipeline.

h. Frontier will, at least once per year, encourage all of its Tier 1 suppliers providing services in California to participate in a meeting jointly hosted by Frontier to meet and discuss opportunities with smaller suppliers and entrepreneurs. Frontier will continue, on an ongoing basis, to explore ways to further diversify its Tier 2 spend, including consideration of best practices established by other GO 156 reporting companies.

i. Frontier will work with Greenlining during the duration of this agreement to design and disseminate a survey to its diverse contractors, to determine the number and quality of jobs created in communities of color as a result of its supplier diversity efforts. The results of this survey will be shared with Greenlining and with the CPUC.

j. As part of the Supplier Diversity priority, Frontier will ensure that ethnic press is utilized as part of its promotional media buy. Frontier agrees that including ethnic media vehicles is necessary to communicate effectively across multiple ethnic communities. Greenlining agrees that as part of the overall media and outreach strategy, Frontier will determine and execute the media buy.

4. Diversity in Philanthropy/Local Engagement

    a. As part of the Frontier local engagement philosophy, identifying business and non-profit relationships is an important part of visibly showing community leadership and support.

    b. Frontier will work to collect information regarding its philanthropic and local engagement contributions (including the identity of the recipient, amount, percentage of pre-tax California revenue, and hours of volunteer work) in California (disaggregated to the extent Frontier separately tracks data), and will share this information with Greenlining on an annual basis.

    c. Frontier will collect information regarding its California philanthropic and local engagement activities (including volunteer efforts) and share this information with Greenlining on an annual basis.

    d. Frontier's continued assessment and prioritization of opportunities that benefit the community and customers (consumer and business) and focus on fulfilling its commitment to provide quality products and services that reflect equity for communities of color.

    e. A minimum of four times annually, Frontier's Area President, West Region will communicate the importance of diversity in philanthropy and community engagement to Frontier's local managers and other management employees in California. Frontier will determine and execute these communications, and will update Greenlining on these communications on an annual basis.

5. Employment

    a. As employment opportunities are available, the parties agree to work on a wide range of efforts intended to attract minority candidates at all levels throughout Frontier's footprint in California. The aspirational goal will be to have diversity at all levels that accurately reflect the growing diversity of California within five years of the close of the transaction. This data, including recruitment efforts, will be made publicly available on an annual basis, including through the release of annual Equal Employment reports (Greenlining and Frontier agree there is no commitment to attainment of a specific percentage).

    b. Frontier has reached an agreement with the Communications Workers of America to retain the existing level of employees that transfer to Frontier at the closing of the proposed transaction through March 2019 and to hire an additional 150 employees within 6 months after closing. Frontier has further agreed to hire an additional 25 employees for a net increase of 175 employees for the state. These 25 employees will be focused on identifying and resolving network related issues. Frontier will take proactive efforts to ensure that information related to these positions is communicated through ethnic media or other mechanisms to attract diverse candidates.

    c. Frontier commits to provide and maintain a California intern program with the specific purpose to attract, recruit, train, and develop men and women who seek a short term role as part of an educational and/or training program. Both parties agree that internships can lead to long term employment opportunities. Frontier acknowledges the mission of the alliance for Boys and Men of Color, recognizes the growing diversity of the population of California and agrees to engage in outreach with the goal of recruiting interns, with a particular focus on outreach to young women and men in communities of color.

d. Recruiting and hiring veterans remains a priority. Frontier is a top military employer and will continue to look for opportunities to employ veterans or reservists in Frontier's new service areas. Frontier agrees to engage in targeted outreach with the goal of recruiting and hiring veterans and reservists that accurately reflect the growing diversity of California.

6. Broadband Deployment

a. Both parties agree that Frontier's acceptance of the Connect America Funds obligations and funding in the VZ CA service area and the existing Frontier service area in California, totaling approximately $225M over 6 years, is the foundation for investment in rural communities.

b. Both parties agree that investment will benefit suppliers, employees, customers, including businesses, and overall economic development within those communities. Frontier agrees to use its best efforts to ensure that these benefits are distributed equitably among the diverse California communities it serves.

c. Frontier shall make its best efforts to provide the most effective updated technology with competitive pricing throughout its service area, including rural and low income areas.

d. The parties commit to discussing at their annual meetings how to ensure that affordable services are available to communities of color served by Frontier.

e. To ensure the equitable deployment of broadband, Frontier will provide Greenlining with a list of census blocks where Frontier has completed build-out or upgrades to its network on an annual basis.

7. Affordable Broadband

a. Frontier and Greenlining will work together to ensure that the Federal Communication Commission implements a Lifeline broadband program that provides an affordable, basic speed, stand-alone broadband internet service to low income customers and makes Frontier's participation in that program commercially viable.

b. If a federal and/or California Lifeline broadband program is commercially viable, Frontier will participate in that program. Frontier's participation in the federal program, and in any available state program, will include publicizing of the availability of the federal and/or California Lifeline broadband program and implementing the necessary processes to offer the service to all qualifying customers because it is committed to help bridge the "digital divide" by ensuring that affordable internet access is available.

c. Frontier will provide Greenlining with data regarding its customers' Lifeline broadband adoption on an annual basis.

8. Frontier Customers with Limited English Proficiency

a. Frontier will provide customer service support in English and Spanish, using its own employee resources.

b. Frontier will provide customer service support in Chinese, Japanese, Korean, Tagalog, and Vietnamese using a third party translation service.

c. During the first two years after closing, Frontier will work to track the number of customers seeking customer service support in Chinese, Japanese, Korean, Tagalog, Vietnamese and other regularly requested languages. Frontier will report this data to Greenlining and Frontier will assess whether to provide customer service support in house for additional languages.

9. Miscellaneous

a. All of the terms of this agreement are contingent upon the consummation of the transaction between Frontier and Verizon in California as agreed to in the Stock Purchase agreement.

b. Unless otherwise explicitly noted this agreement will apply to all of Frontier's operating companies that provide services in California.

c. The agreement will remain in effect for three years following closing of the proposed transaction involving Verizon California, at which time, Frontier and Greenlining will meet in good faith to assess the impact of this agreement, discuss potential future changes to and/or an extension of the agreement.

Executed on: September 22, 2015

Signed by:

Melinda White

Melinda White
President – West Region
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Orson Aguilar
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(END OF APPENDIX C)

APPENDIX D

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. (U 5429 C), Verizon California Inc. (U 1002 C), Verizon Long Distance, LLC (U 5732 C), and Newco West Holdings LLC for Approval of Transfer of Control Over Verizon California Inc. and Related Approval of Transfer of Assets and Certifications	**A. 15-03-005** **(Filed March 18, 2015)** **OPINION OF THE ATTORNEY GENERAL ON COMPETITIVE EFFECTS OF PROPOSED TRANSACTION OF FRONTIER COMMUNICATIONS INC. AND VERIZON CALIFORNIA INC.**

KAMALA D. HARRIS
Attorney General of the State of California
MARK J. BRECKLER
Chief Assistant Attorney General
KATHLEEN E. FOOTE
Senior Assistant Attorney General
DEBBIE W. CHIV
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Attorneys for the State of California

INTRODUCTION

The proposed transaction is between Frontier Communications Corporation ("Frontier"), the fourth largest incumbent local exchange carrier in the United States, and Verizon Communications Inc. ("Verizon"). Verizon, one of the world's leading providers of communications services, proposes to transfer its incumbent local exchange carrier ("ILEC") operations and assets in California, Florida, and Texas to Frontier.

This transaction is not unopposed. In this proceeding, the Office of the Ratepayer Advocates ("ORA") and The Utility Reform Network ("TURN") contend that the California Public Utilities Commission ("Commission") should broadly evaluate the competitive landscape in the local exchange carrier industry in California. However, no opponents assert that the transaction itself will result in the enhancement of market power or a substantial lessening of competition.

Based on the record evidence, we do not find that this transaction will adversely impact competition. The Applicants do not compete for products or services in any relevant geographic market and prior to this transaction, Frontier had no plans to enter any of Verizon's California exchanges. Thus this acquisition will not reduce the number of competitors, nor will it eliminate a potential new entrant, in any relevant product or geographic market. Rather, we find that this acquisition has the potential to enhance competition in several product areas, including competition among wireless service providers, competitive local exchange carriers, and voice communications services.

I. NATURE OF THIS OPINION

A. Section 854(b)

The transaction is governed by California Public Utilities Code section 854(b) and the Applicants have submitted the transaction for the Commission's review under the criteria set forth in that provision. The Commission has requested the Attorney General's analysis of the competitive impact of this acquisition pursuant to section 854(b) of the California Public Utilities Code. Although this transaction involves the transfer of Verizon's ILEC subsidiaries in Florida, Texas, and California, this opinion focuses principally on the proposed acquisition's competitive impact in California.

B. Advisory Opinion

California Public Utilities Code section 854 refers to the opinion as advisory.[1] Consequently, this report does not control the Commission's finding under section 854(b)(3).

[1] Section 854(b) provides in pertinent part:

Before authorizing the merger, acquisition, or control of any electric, gas, or telephone utility organized and doing business in this state…, the commission shall find that the proposal does all of the following:

(1) Provides short-term and long-term economic benefits to ratepayers.

(2) Equitably allocates, where the commission has ratemaking authority, the total short-term and long-term forecasted economic benefits, as determined by the commission, of the proposed merger, acquisition, or control, between shareholders and ratepayers. Ratepayers shall receive not less than 50 percent of those benefits.

However, the Attorney General's advice is entitled to the weight commonly accorded an Attorney General's opinion.[2]

C. Evidentiary Basis of This Opinion

During the course of our review, we held discussions with the parties and obtained substantial materials pertaining to the issues discussed. We also reviewed testimony, pleadings, and written responses filed in this proceeding, in addition to materials filed in the parallel Federal Communications Commission ("FCC") proceeding.[3]

II. THE TRANSACTION

On February 5, 2015, Frontier and Verizon entered into a Securities Purchase Agreement to transfer to Frontier, for the purchase price of $10.54 billion, Verizon's ILEC ownership interests in Verizon California Inc., Verizon Florida LLC, and GTE Southwest Inc. in Texas (collectively, the "Transferring Companies").[4] The Transferring Companies will become wholly-owned direct subsidiaries of Newco, a new limited liability subsidiary of Verizon. Upon completion of the transaction, Frontier will purchase all ownership interests of Newco and the Transferring Companies will become wholly-owned indirect subsidiaries of Frontier. Certain long distance customers of Verizon Long Distance LLC will be assigned to Frontier as part of the transaction.[5]

A. Parties to the Transaction

Verizon is a leading global provider of communications, information and entertainment services and the largest wireless service provider in the United States.[6] Verizon California Inc. ("Verizon California"), an indirect, wholly-owned subsidiary of Verizon, is an ILEC with approximately two million lines in service in 266 exchanges in California.[7] Verizon California offers local and long distance retail and wholesale voice and data services, retail broadband access services, and video services.

(3) Not adversely affect competition. In making this finding, the commission shall request an advisory opinion from the Attorney General regarding whether competition will be adversely affected and what mitigation efforts could be adopted to avoid this result.

2 *See e.g.*, *Moore v. Panish* (1982) 32 Cal.3d 535, 544 ("Attorney General opinions are generally accorded great weight"); *Farron v. City and County of San Francisco* (1989) 216 Cal.App.3d 1071, 1076.

3 On September 2, 2015, the FCC approved Frontier's acquisition of Verizon's ILEC subsidiaries in California, Florida and Texas. *See* Memorandum Opinion and Order, *In the Matter of Applications Filed by Frontier Communications Corporation and Verizon Communications Inc.*, WC Docket No. 15-44 (FCC Sept. 2, 2015).

4 Joint Application for Approval of Transfer of Control Over Verizon California Inc., *In the Matter of the Joint Application of Frontier Communications Corp., Frontier Communications of America Inc., Verizon California, Inc.*, A No. 15-03-005 (PUC March 18, 2015) ("PUC Application"), at 9.

5 *Id*.

6 Verizon Communications Inc., Form 10-K for Fiscal Year Ended Dec. 31, 2014 ("Verizon Form 10-K"), at 3.

7 PUC Application, at 8.

Frontier is the fourth largest ILEC in the United States and provides communication services to 3.5 million customers in 28 states, primarily in rural areas and small cities.[8] Frontier provides local and long distance voice, broadband data, and video services to residential and business customers, as well as interconnection services to wholesale customers.[9] In 2010, Frontier acquired from Verizon about 4.8 million access lines in 14 states, including California, more than doubling Frontier's size nationally.[10] Today Frontier serves approximately 100,000 customers in 62 exchanges in California.[11]

B. Purpose of the Transaction

According to the Applicants, this transaction represents a direct response to rapid, fundamental changes in the local exchange industry that have led to financial challenges for ILECs.[12] Technological developments over the last two decades have changed the competitive landscape for wireline services, as wireless connections increasingly replace wired voice services and consumers demand broadband speeds at higher volume and speeds.[13] In response, ILECs have altered their financial focus to manage cash-flow generation and seek opportunities for service expansion and growth.[14]

With this acquisition, Frontier seeks to increase its geographic reach and strengthen economies of scale and scope, allowing it to operate more efficiently, offer improved and enhanced services, and respond with greater flexibility to investment and innovation opportunities.[15] For Verizon, its California, Florida and Texas ILEC assets serve geographically-distant territories compared to the rest of Verizon's wireline operations, and this transaction allows Verizon to focus on its Mid-Atlantic and Northeast wireline footprint.[16]

III. COMPETITIVE EFFECTS ANALYSIS

In analyzing the competitive effects of this transaction, we employ the approach embodied in the antitrust laws, including the Department of Justice and Federal Trade Commission's 2010 Horizontal Merger Guidelines ("Guidelines").[17] Following traditional analysis, the Guidelines analyze the effect of a consolidation upon the "relevant markets" within which the parties do business. A relevant market is described in terms of its product and geographic dimensions. A

[8] PUC Application, at 5; Frontier Communications Corp., Form 10-K for Fiscal Year Ended Dec. 31, 2014 ("Frontier Form 10-K"), at 21.

[9] PUC Application, at 5.

[10] *Id*., at 6.

[11] *Id*.

[12] Testimony of John Jureller on behalf of Frontier, *In the Matter of Frontier Communications and Verizon California* (PUC May 11, 2015), at 4.

[13] *Id*.

[14] *Id*., at 5.

[15] PUC Application, at 12.

[16] *Id*.

[17] On May 8, 2015, the Federal Trade Commission and the Department of Justice completed their review of this transaction and granted early termination of the Hart-Scott-Rodino Act waiting period. *See* Federal Trade Commission, Early Termination Notice (May 8, 2015), *available at* https://www.ftc.gov/enforcement/premerger-notification-program/early-termination-notices/20150937.

transaction is deemed horizontal when the parties offer products or services that compete in the same relevant product and geographic markets.

A. Defining the Geographic Market

The relevant geographic market is measured by the "area of effective competition…in which the seller operates, and to which the purchaser can practicably turn for supplies."[18] The Guidelines advise that when it is feasible for a company to price discriminate based on customer location, the geographic market should be defined as the location of the targeted customers.[19] That is, where a supplier delivers products or services to customer locations, the geographic market encompasses the region in which sales are made.[20] The FCC follows the Guidelines' approach by defining the geographic market for local exchange services as the local coverage area of the wireline provider and the customers' location.[21] This is because local exchange carriers offer services in their wireline coverage area and do not typically market outside of their service area.

We follow the FCC's approach in defining the relevant geographic market as the wireline coverage areas where the Applicants provide local exchange carrier services. The Applicants assert that none of the Verizon California exchanges overlap with any of Frontier's existing exchanges in California, that they do not compete for customers in any of the affected exchanges, and that prior to this transaction, Frontier had no plans to expand its services into Verizon California's operating area.[22]

Based on the record evidence, we conclude that none of the Applicants' exchanges in California overlap and that the Applicants do not compete for local exchange carrier services in any relevant geographic market. Accordingly, we conclude that the acquisition will not reduce the number of competitors, nor will it eliminate a potential new entrant, in any relevant geographic market.

B. Defining the Product Market

The product market refers to the range of products or services that are or could easily be relatively interchangeable,[23] so that pricing decisions by one firm are influenced by the range of alternative suppliers available to the purchaser. These substitutes include suppliers who are not current producers in a relevant market but could rapidly enter the market without incurring

[18] *United States v. Philadelphia Nat'l Bank*, 374 U.S. 321, 359 (1963).

[19] Guidelines, § 4.2.2.

[20] *Id*.

[21] *See e.g.,* Memorandum Opinion and Order, *In the Matter of Insight Communications Company, Inc. and Time Warner Cable Inc*., 27 FCC Rcd 497, 505-06 (FCC Jan. 31, 2012) (geographic market for enterprise, wholesale and video services deemed provider's franchise area and customers' location); Memorandum Opinion and Order, *In the Matter of SBC Communications Inc. and AT&T Corp*., 20 FCC Rcd 18290, 18345 (FCC Oct. 31, 2005) ("As with special access and enterprise services, we conclude that the relevant geographic market for mass market local, long distance, and bundled local and long distance services is the customer's location").

[22] PUC Application, at 24.

[23] Guidelines, § 4.1.

significant sunk costs.[24] Following the Guidelines' approach, we consider the relevant product market as those services and products currently supplied by both Applicants.

Because we conclude that the Applicants do not compete in any relevant geographic market, we need not specifically define the relevant product markets. We nonetheless observe that the Applicants each offer facilities-based local exchange services to residential, small-to-medium business, and enterprise customers in their respective California exchanges and those services include local and long distance voice services[25] and broadband access services.[26] The Applicants also offer wholesale interconnection services to carriers via Section 251/252 interconnection agreements, special access contracts, and other commercial agreements.[27]

Although the Applicants offer similar local exchange services to residential, business, and enterprise customers, the Applicants do not offer these services in any overlapping exchanges today. 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 geographic area. Accordingly, we conclude that this transaction will not adversely impact competition. We note that no intervenors contended that the Applicants compete in overlapping California territories or that the transaction will result in a substantial lessening of competition.

IV. POTENTIAL COMPETITION-ENHANCING EFFECTS

While we conclude that the proposed acquisition will not adversely impact competition, we consider that the transaction has the potential to enhance competition among wireless service providers, competitive local exchange carriers, and voice communications products.

A. Wireless Voice Competition

Verizon Wireless, a subsidiary of Verizon, is both a competitor of Verizon California for voice communications products and a customer of special access services for wireless backhaul. As a result of Verizon Wireless and Verizon California's affiliation within a vertically-integrated company, the two subsidiaries reap certain benefits that non-affiliated rivals do not receive. Post-acquisition, such benefits of the affiliation will be eliminated and Frontier will have the incentive to vigorously compete against Verizon Wireless, potentially enhancing competition in the voice communications and wireless carrier industries.

Over the last two decades, due to significant changes in technology and steady "cord-cutting" among households, wireless voice services have increasingly replaced wired voice connections. From 2000-2013, traditional switched access voice lines offered by ILECs declined

24 *Id*., § 5.1.

25 Frontier will not be acquiring Verizon Long Distance, a subsidiary of Verizon. Certain customer accounts of Verizon Long Distance whose originating switched long distance traffic is initiated from Verizon California's exchanges will be assigned to Frontier. PUC Application, at 10.

26 Frontier's broadband data services include fiber-to-the-home and fiber-to-the-node broadband, copper-based broadband, and Voice over Internet Protocol ("VoIP") products. Verizon California offers fiber-based broadband (called FiOS), DSL, VoIP, and multi-channel video services. Verizon Form 10-K, at 8-10; Frontier Form 10-K, at 3-4.

27 PUC Application, at 8; Verizon Form 10-K, at 10.

57 percent in California while wireless lines surged 188 percent.[28] By the end of 2013, wireless voice lines represented nearly 69 percent of all voice connections in California while ILEC-affiliated traditional telephone and VoIP made up a mere 19 percent.[29] Against this backdrop, Verizon Wireless' voice products, such as mobile wireless, fixed wireless, and wireless data services, inevitably compete with Verizon California's wireline voice services. In fact, certain intervenors argue that Verizon Wireless' voice products compete so robustly against Verizon California's voice services that the acquisition may reduce Frontier's profitability.[30] Further, the Applicants did not include a non-compete provision in their Purchase Agreement, permitting the independent companies to freely vie for voice customers.[31]

But while wireless voice may compete with wireline voice services in an open market, one theory posits that companies offering both wireless and wireline voice products have less of an incentive to vigorously market their products against each other.[32] That is, such company would market its wireless product in a way that avoids cannibalizing potential revenue from its wireline product, thereby minimizing competition.[33] Applying the theory to this transaction, Verizon today has a lower incentive to aggressively market its Verizon Wireless products against its Verizon California voice services. By extension, the de-affiliation of Verizon Wireless and Verizon California is likely to enhance competition among voice communication services as the independent companies will be incentivized to aggressively compete to win voice customers.

Additionally, Verizon Wireless is currently a large customer of Verizon California for the purchase of special access services.[34] Verizon California, and other ILECs and competitive local exchange carriers ("CLECs"), control backhaul wireline inputs that are essential to wireless carriers.[35] Verizon California provides backhaul in the form of special access circuits to Verizon Wireless and other wireless carriers unaffiliated with a wireline network. These unaffiliated

[28] FCC Wireline Competition Bureau, *Local Telephone Competition: Status as of December 31, 2013* (Oct. 2014), at Table 9, *available at* https://apps.fcc.gov/edocs_public/attachmatch/DOC-329975A1.pdf; *compare to* FCC Wireline Competition Bureau, *Local Telephone Competition: Status as of December 31, 2000* (May 2001), at Table 6.

[29] *Id*.

[30] *See e.g.*, Testimony of Susan Baldwin on behalf of TURN, *In the Matter of Frontier Communications and Verizon California* (PUC July 28, 2015), at 48 ("Verizon will continue to have a significant competitive presence with customers within Frontier's expanded California footprint. Verizon Wireless offers both mobile ('traditional wireless') and fixed wireless services that are alternatives (at least for many customers) to ILEC wireline voice and broadband services…").

[31] Testimony of Dr. David J. Teece on behalf of Frontier, *In the Matter of Frontier Communications and Verizon California* (PUC Aug. 24, 2015), at 19.

[32] Paul Zimmerman, *Strategic Incentives Under Vertical Integration: the Case of Wireline-Affiliated Wireless Carriers and Intermodal Competition in the U.S.*, 34 J. Regul. Econ. 282, 284 (2008).

[33] *Id*. (discussing AT&T/Cingular's merger in which SBC/BellSouth, parent company of Cingular, was concerned "that Cingular's wireless offerings might 'cannibalize' their wireline revenues, and as such, sought to influence Cingular's product design and marketing strategies so as to prevent the company from competing 'too aggressively' for in-region wireline subscribers").

[34] *See* Response of Verizon California to Third Set of Data Requests of TURN, Attachment 3, at A1503005VZ60277.

[35] A wireless carrier must transmit signals between the carrier's cell sites and wireline networks in order to carry wireless voice and data traffic for routing. This process is called backhaul and has historically been supplied by ILECs through special access circuits. *See* Sixteenth Report, *In the Matter of Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993*, WT Docket No. 11-186 (FCC March 21, 2013), at 210.

wireless carriers have long complained that ILECs with wireless affiliates, such as Verizon and AT&T, have the ability and incentive to charge higher backhaul rates as compared to the rates charged to their affiliates, resulting in a competitive disadvantage for unaffiliated wireless carriers.[36] The complainants also contend that these vertically integrated companies absorb a percentage of the payments from their wireless affiliates, whereas special access charges are real costs for unaffiliated wireless carriers.[37] We observe that these are protests commonly vocalized against vertically integrated firms, as such firms may achieve efficiencies that result in lower marginal costs, lower transaction costs, etc.[38]

While the terms of the special access contracts between Verizon California and Verizon Wireless are not at issue in this proceeding, eliminating the affiliation between Verizon Wireless and Verizon California is likely to alleviate some concerns from the unaffiliated wireless carrier community. As a result of this transaction, Frontier will have a strong incentive to impose market-competitive rates on Verizon Wireless for backhaul services and Verizon Wireless will no longer benefit from any reduced costs or other efficiencies that stem from its former affiliation. Removing the affiliation between Verizon California and Verizon Wireless will eliminate Verizon Wireless' apparent competitive advantage, benefiting competition among wireless service providers.

B. Existing and Future Network Infrastructure

Certain intervenors take issue with Verizon California's existing copper network, contending that Verizon has inadequately maintained its landline network, through facility deterioration and lengthy repair times, and has thereby engaged in *de facto* copper retirement.[39] Recent regulatory developments, initiated since the start of this proceeding, may address some of the intervenors' concerns. On August 6, 2015, the FCC formalized requirements for local exchange carriers who seek to retire copper infrastructure, such as clarifying the definition of "copper retirement" to include *de facto* retirement.[40] Additionally, on August 27, 2015, CPUC

[36] *See e.g.*, Petition to Deny of Sprint Nextel Corporation, *Application of AT&T Inc. and Deutsche Telekom AG for Consent to Assign or Transfer Control of Licenses and Authorizations*, WT Docket No. 11-65 (FCC May 31, 2011), Attachment A, at 48 (alleging Verizon and AT&T "would charge themselves marginal cost while other carriers pay prices substantially greater than marginal cost").

[37] *See id*. at 51 (Sprint contends its payment for backhaul and roaming "represents a significant cost disadvantage, relative to AT&T and Verizon, each of which pays a large fraction of these costs to itself").

[38] Memorandum Opinion and Order, *In the Matter of AT&T Inc. and BellSouth Corp*., 22 FCC Rcd 5662, 5767 (FCC March 26, 2007) ("As the Commission previously has recognized, vertical transactions may generate significant efficiencies. For example, vertical integration may produce a more efficient organizational form, which can reduce transaction costs, limit free-riding by internalizing incentives, [and] may reduce prices in the downstream market by eliminating 'double marginalization.'"); ABA Section of Antitrust Law, *Antitrust Law Developments*, 7th Ed. (2012), at 391 (Federal Trade Commission notes the efficiencies of vertical integration, such as "vertical transactional efficiencies, more efficient promotion and investment decisions, rationalizing of inputs, and elimination of double mark-up of costs…").

[39] *See* Protest of the Office of Ratepayer Advocates to Frontier/Verizon Joint Application, *In the Matter of the Joint Application of Frontier Communications and Verizon California,* at 14; Response of the California Association of Competition Telecommunications Companies on the Joint Application of Frontier Communications and Verizon California, at 8.

[40] Report and Order, Order on Reconsideration, and Further Notice of Proposed Rulemaking, *In the Matter of Technology Transactions*, WC Docket No. 05-25 (FCC Aug. 6, 2015) ("Copper Retirement Order"), at 6, 48.

reaffirmed the need for a comprehensive study evaluating the network infrastructure of AT&T California and Verizon California under an expedited timeframe.[41]

We do not draw conclusions in this opinion as to the Applicants' existing network infrastructure. We do, however, recognize the importance of competitive carriers having reasonable access to incumbent carriers' copper networks in order to ensure effective competition. CLECs tend to rely on some combination of their own facilities and ILECs' last-mile facilities to serve end users. To ensure successful competition, CLECs require reasonable access to last-mile networks and poor infrastructure can negatively impact carriers' services, *e.g.*, raising rates for end users, increasing carriers' internal costs, and causing reputational harm.[42] At the same time, we recognize that an ILEC should be free to retire its copper network if it chooses to do so.[43] ILECs have expressed that as the technology migration progresses, they should be permitted to retire copper networks that have become obsolete or unduly costly to maintain.[44]

Subject to the Commission's pending study on Verizon California's existing infrastructure and its findings in this proceeding, we find that the proposed transaction has the potential to enhance competition among competitive carriers. First, in response to intervenors' concerns, the Applicants assert that Frontier will devote significant resources to maintaining and improving Verizon California's facilities post-closing.[45] Frontier appears actively committed to building and improving its wireline business, and its focus as a wireline-only company suggests it has every incentive to continue investing in wireline projects.[46] Verizon, by contrast, appears to have retreated from its wireline voice and broadband business in recent years and in 2010, announced it was no longer expanding its FiOS network into new cities.[47]

Second, Frontier has a strong history of accepting federal and other funding to build out broadband to high-cost underserved and unserved rural areas.[48] In this acquisition, Frontier has affirmed its intent to use federal Connect America Funding ("CAF") support to expand fiber-based broadband infrastructure within both its existing California exchanges and Verizon

[41] Decision Affirming Commission Direction to Conduct the Network Evaluation Study Originally Ordered in Decision 13-02-023, Order Instituting Rulemaking to Evaluate Telecommunications Corporations Service Quality Performance, Rulemaking 11-12-001 (PUC Aug. 27, 2015).

[42] Copper Retirement Order, at 50, 75.

[43] *See* Notice of Proposed Rulemaking and Declaratory Ruling, *In the Matter of Ensuring Customer Premises Equipment Backup Power for Continuity of Communications*, WC Docket No. 05-25 (FCC Nov. 25, 2014), at 6.

[44] Reply to Comments of AT&T Services Inc., *In the Matter of Technology Transactions*, GN Docket No. 13-5, No. 12-353, at 42 (FCC April 10, 2014).

[45] Rebuttal Testimony of Kim Czak on behalf of Frontier, *In the Matter of Frontier Communications and Verizon California* (PUC Aug. 24, 2015), at 17.

[46] Rebuttal Testimony of John Jureller on behalf of Frontier, *In the Matter of Frontier Communications and Verizon California* (PUC Aug. 24, 2015), at 39.

[47] Roger Cheng, "Verizon to End Rollout of FiOS," *Wall Street Journal* (March 30, 2010), *available at* http://www.wsj.com/articles/SB10001424052702303410404575151773432729614.

[48] By February 2014, Frontier accepted all eligible Connect America Funding ("CAF") Phase I funding in the amount of nearly $133 million. Since 2009, Frontier also received six California Advanced Services Fund grants to expand broadband availability in California. *See* Testimony of Kathleen Abernathy on behalf of Frontier, *In the Matter of Frontier Communications and Verizon California* (PUC May 11, 2015) ("Abernathy Test."), at 17-19.

California's exchanges.[49] By contrast, Verizon has not applied for nor received any federal CAF support to date.[50] Verizon has further stated that if the proposed acquisition is not approved, it will not pursue CAF funding and does not otherwise have plans to expand broadband infrastructure in its California exchanges.[51]

For these reasons, we find that this acquisition has the potential to increase competition among competitive local exchange carriers. If indeed Verizon California has allowed its copper infrastructure to fall into disrepair, Frontier is likely to improve and maintain Verizon California's copper networks in a manner that may not have occurred absent the transaction. Moreover, Frontier's demonstrated commitment to expanding rural broadband will lead to accelerated broadband build-out to California rural areas that otherwise would not receive such access. Indeed, intervenors have acknowledged that in light of Verizon's apparent retreat from its California wireline business, Frontier's acquisition is likely to benefit consumers through the improvement of copper networks and expansion of broadband access.[52]

V. CONCLUSION

We find that the Applicants do not compete in any geographic market in California today and thus that the transaction will not reduce the number of competitors, nor will it eliminate a potential new entrant, for any product or service in any relevant geographic market. Accordingly, we find that this the transaction will not adversely impact competition. We also find that the proposed acquisition has the potential to increase competition among voice communication products, wireless service providers, and competitive local exchange carriers, as well as expand and accelerate broadband access to underserved and unserved California rural areas.

[49] Subject to this transaction's approval, $192 million of CAF Phase II funding will be made available to Frontier over six years for Verizon California's territories, providing broadband to 77,000 locations. In June 2015, Frontier also accepted $283.4 million in CAF Phase II funding with $6.1 million in annual support allocated to its existing California service areas.

[50] Abernathy Test., at 20 ("As Verizon has said, its focus has been on expanding fiber where it has been deployed, but it chose not to accept funding for broadband in both rounds of CAF Phase II").

[51] *See* Rebuttal Testimony of Melinda White on behalf of Frontier, *In the Matter of Frontier Communications and Verizon California* (PUC Aug. 24, 2015) ("White Rebuttal Test."), at 48.

[52] Reply Testimony of Lee Selwyn., *In the Matter of Frontier Communications and Verizon California* (PUC July 28, 2015), at 14 ("A change of control from Verizon to Frontier offers the prospect of shifting the stewardship of these wireline assets away from a company that appears to have lost interest in this line of business over to one that has been making large commitments towards expanding its wireline footprint."). *See also* White Rebuttal Test., at 10 ("The customers in these households will have the opportunity to receive a competitive and robust broadband service from Frontier that would otherwise not be available in the absence of Frontier's commitment and the consummation of the propose Transaction.").

(END OF APPENDIX D)

APPENDIX E

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. (U 5429 C) Verizon California Inc. (U 1002 C), Verizon Long Distance, LLC (U 5732 C), 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 No. 15-03-005

JOINT MOTION OF FRONTIER COMMUNICATIONS CORPORATION, FRONTIER COMMUNICATIONS OF AMERICA, INC. (U 5429 C) AND THE CALIFORNIA EMERGING TECHNOLOGY FUND TO MODIFY POSITIONS IN PROCEEDING TO REFLECT MEMORANDUM OF UNDERSTANDING BETWEEN THE PARTIES

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October 23, 2015

Pursuant to Rule 11.1 of the Rules of Practice and Procedure ("Rules") of the California Public Utilities Commission ("Commission"), Frontier Communications Corporation, Frontier Communications of America, Inc. (collectively, "Frontier") and the California Emerging Technology Fund ("CETF") (jointly, the "Joint Parties") hereby submit this Joint Motion to modify the Joint Parties' positions to reflect the terms of a recently-executed Memorandum of Understanding ("MOU") between the Joint Parties. The MOU contains additional commitments from Frontier that are contingent upon consummation of the Frontier acquisition of Verizon California Inc. (the "Transaction"), and, based on those commitments, the previously-stated concerns of CETF regarding the Transaction have been resolved. The Joint Parties submit this Joint Motion to clarify that they both support the Transaction with the additional commitments presented in the MOU, and to modify their positions to reflect the terms of this MOU.

The details of the parties' agreement and the basis for modified positions are outlined in the MOU. The MOU is attached hereto as Attachment A. Specific commitments highlighted in the MOU include Frontier's commitment to offer an interim discounted broadband access service to LifeLine voice customers for $13.99 per month upon consummation of the Transaction and until the anticipated Federal Communications Commission (FCC) broadband Lifeline program is implemented. The MOU also includes other broadband deployment and adoption initiatives for low-income and rural households across the state, through ongoing collaboration between CETF and Frontier and with regional and community stakeholders. Frontier has agreed to implement the commitments identified in the MOU if the proposed Transaction is consummated, and, based on these commitments, CETF agrees that its public benefit concerns regarding the Transaction have been resolved, and it hereby removes its request for adoption of all of the commitments previously identified in its testimony and briefs in this proceeding to the extent that they are different than the terms of the MOU.

Although the testimony in this case has already been submitted and the briefing is closed, the Joint Parties have continued to discuss constructive ways to resolve their differences related to the Transaction. Based on the MOU, the Joint Parties have reached an understanding and a set of terms under which they can both support the Transaction. The Joint Parties submit this Joint Motion to ensure that their current positions are properly reflected on the record and to ensure that the Commission has the benefit of this updated information as it evaluates this Transaction.

Respectfully submitted this 23rd of October, 2015.

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ATTACHMENT A

MEMORANDUM OF UNDERSTANDING AND AGREEMENT BETWEEN FRONTIER COMMUNICATIONS CORPORATION AND CALIFORNIA EMERGING TECHNOLOGY FUND

By their authorized representatives, and intending to be legally bound, Frontier Communications Corporation ("Frontier") and the California Emerging Technology Fund ("CETF") enter into this Memorandum of Understanding and Agreement ("MOU") dated October 23, 2015.

All the terms of this MOU are expressly contingent upon the consummation of the Transaction set forth in the February 5, 2015 Stock Purchase Agreement attached as Exhibit 1 to the Joint Application filed In the Matter of the Joint Application of Frontier Communications Corporation, Frontier Communications of America, Inc. (U 5429 C) Verizon California Inc. (U 1002 C), Verizon Long Distance, LLC (U 5732 C), and Newco West Holdings LLC for Approval of Transfer of Control Over Verizon California Inc. and Related Approval of Transfer of Assets and Certifications (A.15-03-005) ("Transaction").

This MOU reflects additional commitments that Frontier has agreed to make provided that the Transaction is consummated, and reflects CETF's agreement that, based on those commitments, the concerns expressed in CETF's pleadings, testimony, and appearances regarding the Transaction have been resolved. To the extent that Frontier's or CETF's previous positions are inconsistent with this MOU, those positions are hereby modified in accordance with the terms set forth herein.

RECITALS

1. Frontier and CETF are entering into this MOU to ensure that there are tangible public benefits derived from the Frontier acquisition of the Verizon wireline network in California. CETF is a legal party in the proceeding (Application 15-03-005) before the California Public Utilities Commission (CPUC).

2. The mission of CETF is to close the Digital Divide in California by accelerating broadband deployment and adoption. CETF provides leadership to promote public policy to close the Digital Divide and to facilitate consensus among stakeholders to achieve results. CETF collaborates with Regional Consortia, local governments, and civic organizations to identify opportunities to support broadband infrastructure construction. CETF partners with community-based organizations (CBOs) throughout California that are experienced in reaching disadvantaged populations in-culture and in-language to increase broadband adoption among low-income households. CETF is focused on results and has a track record of performance with transparency and accountability.

3. CETF actively supports the promulgation of public-private partnerships as a public policy foundation for closing the Digital Divide by harnessing the discipline and innovation of the private sector with the expertise and cultural competency of those working on behalf of the public sector as "trusted messengers" to reach disadvantaged populations. A public-private partnership is characterized by partners reaching agreement on goals, jointly developing an action plan to achieve explicit outcomes, and working together continuously to implement the plan with mutual accountability for results.

4. CETF and Frontier are joining forces to work together in collaboration with other stakeholders and CBOs in the true spirit of a public-private partnership with the intent to make a significant contribution to closing the Digital Divide in California. Frontier and CETF further agree that the overall goal regarding broadband adoption should be to get as many low-income households as possible online with high-speed Internet access at home in the shortest amount of time with the least cost. It is with this shared commitment that Frontier and CETF are pursuing innovative approaches to increasing broadband adoption.

5. CETF also has acknowledged in filings to the CPUC the value and unique circumstance of Frontier bringing wireline deployment expertise to California to reach unserved and underserved communities. CETF further recognizes that Frontier's commitment to specific broadband infrastructure projects is a significant public benefit that complements its contribution to broadband adoption.

6. CETF and Frontier have worked together to delineate a framework that meets the CETF objective for determining public benefits that are "appropriate, fair and comparable."

7. To ensure that this agreement is being entered into to further the public interest for broadband deployment and adoption, CETF shall receive no funds or other contributions from Frontier.

8. CETF and Frontier agree that time is of the essence. California households without broadband access or the ability to afford high-speed Internet service at home are being left behind at an accelerating pace. Therefore, the commitments herein are being implemented with all deliberate speed consistent with appropriate planning and prudent business practices to ensure success.

9. Frontier is committed to provide broadband access to as many consumers as possible, whether on an individual subscription basis or in a public environment that allows concurrent users to access the internet. In order to address the digital divide, there are 4 areas of opportunity to develop and implement:

a. Broadband is available across as much of the Frontier/Verizon footprint as reasonably possible.

b. Network performance addresses the customer need, low-income or otherwise.

c. Broadband adoption includes access, education, tools, and service levels.

d. Community partnerships are developed and maintained with non-profit organizations, including schools and libraries, in order to establish the knowledgeable and trusted messenger vehicle within the community.

COVENANTS

1. Frontier and the California Emerging Technology Fund (CETF) will work together to address the need to bring broadband service to low-income households in California.

2. Frontier supports the expected FCC-mandated Lifeline broadband program. Upon commencement, Frontier will adhere to all program guidelines and application processes. Frontier will provide training to all customer service representatives who support California. Frontier will continue to support the Lifeline voice program.

3. As with the current Lifeline voice program, Frontier will message the availability of the Interim Low-Income Broadband program across all of the communities served no later than July 1, 2017 (and will do the same for the FCC Lifeline broadband program when enacted and available). In fact, the Lifeline voice program will remain the foundation during the offer of the Frontier Interim Low-Income Broadband Program.

4. Described below is the Frontier Interim Low-Income Broadband Program that will be offered to Frontier Lifeline voice customers. Interim Low-Income Broadband Offer – Only for Frontier wireline Customers (in footprint) who are or become qualified participants in either the California Lifeline or the Federal Lifeline programs (as an efficient mechanism and reasonable criteria to determine eligibility) and have selected Frontier as their Lifeline service provider:

- $13.99/month for the low-income broadband service (which is a new affordable product for the Verizon service area and an improved product in the Frontier legacy service areas), available only to Lifeline voice customers, existing or new customers.
- Frontier shall not require any more information from applicant than is required for the California LifeLine program.
- 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.
- Free Installation.
- Free Modem with wireless router.
- Assistance by Frontier trained customer representatives or designated third parties to educate and sign up for California and/or FCC Lifeline program.

5. Frontier agrees that the low-income household population expands across the Verizon California operating areas. There are approximately 3 million Verizon households in the to-be-acquired areas. The 3 million households make-up approximately 18 percent of the households in California. Currently, there are approximately 150,000 Lifeline wireline voice customers in the Verizon footprint who have selected Verizon wireline as their Lifeline provider. The approximate 150,000 Lifeline voice customer base is the result of approximately 30 years of the Lifeline program availability. The Federal Lifeline wireline voice program commenced in 1985. To participate in the Federal Lifeline program, consumers must either have an income that is at or below 135% of the federal Poverty Guidelines or participate in one of the following assistance programs: Medicaid; Supplemental Nutrition Assistance Program

(Food Stamps or SNAP); Supplemental Security Income (SSI); Federal Public House Assistance (Section 8); Low-Income Home Energy Assistance Program (LIHEAP); Temporary Assistance to Needy Families (TANF); National School Lunch Program's Free Lunch Program; Bureau of Indian Affairs General Assistance; Tribally-Administered Temporary Assistance for Needy Families (TTANF); Food Distribution Program on Indian Reservations (FDPIR); or Head Start (if income eligibility criteria are met).

6. Frontier will work with CETF to develop the plan to inform eligible and prospective customers, including the content of the communications and information materials. Frontier will make the final decisions with regard to customer communication content. Frontier shall continue to promote, offer and support the FCC Broadband Lifeline Program in its service areas as long as such a program is authorized by the FCC. Frontier shall report quarterly to the CETF executives, as selected by the CETF President and CEO on the progress being made in enrolling eligible low-income households. Frontier understands the importance of ensuring a low-income offering is available and accessible, and therefore shall place media buys with ethnic and community print and broadcast media shown to be effective in reaching the target populations in-language. Frontier may seek the advice of the Consumer Advisory Board in selecting media vendors.

7. Frontier will accept the Connect America Fund (CAF) II obligations and funds in California. If the transaction is approved, Frontier will have access to approximately $32 million annually for six years from Verizon California to upgrade approximately 77,402 locations in California. The obligations under CAF II are significant and Frontier will bear the risk and expense associated with fulfilling the CAF II requirements beyond the specific funding provided through the program. Additionally, and separate from CAF II, Frontier is committing to augment the broadband speed for 250,000 households in the Verizon California service areas to support speeds of 25 Mbps downstream and 2 Mbps upstream by 2020. Frontier also commits to deploy broadband to an additional 100,000 households at 10 Mbps downstream and 1 Mbps upstream in selected areas across the Verizon footprint. This is yet another important consumer benefit of the Transaction in that 100,000 households that currently do not have access to broadband with Verizon California or access to adequate broadband speed, will have the ability to receive these services from Frontier by 2020.

8. 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. In addition to these counties benefiting from CAF II support accepted by Frontier, Frontier will deliver broadband to an additional 7,000 unserved households at speeds of 10 Mbps download and 1 Mbps upload in Frontier's legacy California service areas.

a. A method of providing broadband is via Frontier Satellite Broadband, in partnership with Hughesnet. In very rural areas where a network build-out 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. This is a Hughesnet product, therefore the product attributes are controlled by Hughesnet.

b. To promote the availability and product attributes, Frontier will offer a free installation, plus the first month free to new subscribers.

c. Frontier shall be available to provide more detailed information about the Hughesnet partnership to CETF, Regional Consortia, elected county and city officials, and other regional and community stakeholders by November 30, 2015 in order to allow them to evaluate this service and to provide feedback to Frontier regarding the extent to which the Hughesnet service addresses may address the needs of unserved and underserved households. CETF accepts the responsibility to schedule this meeting. Frontier will send knowledgeable executive(s), but is not responsible to schedule or attend additional meetings to discuss the Hughesnet opportunity.

9. In very rural areas where network build 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. Frontier also understands that there may be very low-income urban neighborhoods where available low-income broadband offers are beyond the financial means of certain households. In these areas, Frontier and CETF in consultation with CBO partners will evaluate whether and where to further use the commitment of Frontier for the 50 public locations in low-income urban neighborhoods to encourage broadband adoption.

a. In the spirit of recognizing that 27% of those with no internet access in California connect to the internet from another location (CETF 2015 Field Poll survey, named Internet Connectivity and the Digital Divide in California Households), Frontier will work with CETF to identify and build no less than 50 public locations across low-income areas (as defined by the U.S. Census data) to ensure that no less than 1,250 concurrent users can access the internet at speeds no less than 10 Mbps down and 1 Mbps up across these 50 public Wi-Fi locations. CETF agrees that these public broadband locations will only be deployed in locations with existing sufficient transport capacity to access the Internet and Frontier will not be required to construct or expand backhaul capacity. Frontier will complete the identification, design and deployment of at least ten (10) of the 50 public broadband locations by January 2017.

10. Frontier shall work with CETF to co-convene and meet with the Regional Consortia, elected county and city officials, and other regional and community stakeholders in the six (6) Northeast counties no later than July 1, 2016 to present the framework of a plan to reach as many of the unserved and underserved households in the 6 counties. Frontier shall rely upon both the CPUC data and feedback from the participants to identify unserved and underserved households. This analysis will be informed by the FCC CAF II build obligations. As has been communicated to Frontier, CETF has a priority focus on considering unserved and underserved households along the following corridors: Highway 299 east from Redding to Alturas; Highway 139 from Alturas to Susanville; and Highway 36 from Susanville to Red Bluff. CETF accepts the responsibility to schedule this meeting. Frontier will send knowledgeable executive(s), but is not responsible to schedule or attend additional meetings to discuss the plan for the six Northeast Counties noted.

11. Frontier shall communicate with CETF, Regional Consortia, elected county and city officials, and other regional and community stakeholders in their service

areas to present the framework of a plan no later than October 31, 2016 to upgrade the 77,402 locations, augment the broadband speed for 250,000 households, and deploy broadband to an additional 100,000 households. A more detailed plan will be shared on or before December 1, 2016. Frontier will make the final determination regarding locations for broadband deployment. However, the purpose of this commitment is to ensure clear communication from Frontier regarding the Frontier implementation of this commitment. CETF shall assist Frontier in securing cooperation from local officials and permitting agencies to achieve the deployment to the 100,000 households as soon as reasonably possible. Frontier will provide an analysis of the difference in consumer experience and cost between 1 Mbps and 3 Mbps upstream to inform regulators (CPUC), policymakers, CETF, Regional Consortia, elected county and city officials, and other regional and community stakeholders.

12. Frontier is knowledgeable and has experience seeking funding and deploying broadband facilities through the California Advanced Services Fund (CASF) program. Frontier understands the importance of adequate funding of CASF and will work with CETF and Regional Consortia to establish future goals and authorized funding for CASF through Assembly Bill (AB) 238 and/or other appropriate legislative bills.

13. Frontier will continue to offer the existing broadband products in the Verizon service area for at least one year.

Network performance addresses the customer need, low-income or otherwise.

14. Frontier is acquiring, based upon the approval by the CPUC, a network with variable speed attributes across the Verizon footprint. Upon operation commencement, Frontier will maintain the speed attributes acquired and begin identifying network opportunities for enhancement prioritization. A team of no less than 50 field representatives will be focused solely on the purpose of identifying network issues, including upgrade needs, prioritization, and the development of the plan.

Broadband adoption includes access, education, tools, and service levels.

15. Frontier will implement an Interim Low-Income Broadband program for customers who are or become qualified participants in either the California or the FCC Lifeline program and have selected Frontier as their Lifeline service provider.

16. There are 3 areas of broadband adoption to address:

a. Broadband is available either in the private dwelling (home or business) or in a public environment (schools, libraries, community gathering locations).

b. Broadband users have a web-capable device in their hands, utilizing a public-private partnership(s) within the communities.

c. Education and training to ensure understanding about the device, content available, and how to access the internet.

17. Frontier agrees to broadly market the Frontier Interim Low-Income Broadband program and the FCC's Lifeline broadband program, when each is available. Frontier agrees that over a period of three (3) years, the target of 200,000 enrolled Lifeline broadband customers is an aspirational target CETF and Frontier will endeavor with sincere commitment and in good faith to achieve.

18. Frontier's "interim" affordable stand-alone broadband rate of $13.99 per month will be all inclusive (no additional fees, except local, state, and federal taxes), provide a speed of up to 7 Mbps download and available to Frontier customers that participate in the existing Federal or California Lifeline voice program and select Frontier as their Lifeline service provider. This offer will remain in effect until the FCC enacts a Broadband Lifeline Program and it becomes effective with sufficient time to transition "interim" affordable broadband customers to the FCC Program without undue disruption or hardship to the existing customer. Further, Frontier customers on the affordable rate shall have that rate, pending the transition to the new FCC Lifeline broadband program. The affordable offer will not require a long-term contract or credit check.

19. Frontier and CETF will outreach to potential community-based organizations (CBO) partners regarding consumer outreach with the aspiration goals of achieving as much of the 200,000 low-income adoptions in the shortest-possible timeframe with the aspirational goal being no longer than three years. Frontier and CETF in consultation with CBO partners will develop a mutually-agreed upon plan no later than June 30, 2016 to achieve broadband adoption by 200,000 low-income households. CETF partners may include Youth Policy Institute, Southeast Community Development Corporation, Humboldt State University California Center for Rural Policy, EveryoneOn, United Ways of California, Radio Bilingue, California Foundation for Independent Living Centers, YMCA of Greater Long Beach, The Stride Center, Chicana Latina Foundation and Latino Community Foundation, and others with deep experience and a track record of achieving broadband adoption. CETF will select the CBO partners and implement a grant agreement, including performance accountability standards related to achieving the aspirational goal of 200,000 low-income households adopting broadband service, with each of the CBO partners. The results will be reported quarterly to Frontier.

20. Across the defined low-income areas, Frontier will fund the purchase of 50,000 web Wi-Fi capable tablets, each of which will be Wi-Fi capable to connect to a public internet service or private Wi-Fi and support low-income broadband service, as part of the adoption initiative, over a two (2) year period These web Wi-Fi 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. Frontier recognizes that a significant number of households with internet access do not subscribe due to the lack of a computer or smart phone. (CETF 2015 Field Poll survey, named Internet Connectivity and the Digital Divide in California Households). For the purposes of this MOU, "WiFi" means a a Managed Wi-Fi Data service (or Wireless LAN service) which utilizes the 802.11b/g/n/ac specifications. The service operates within the 2.4 GHz and 5 GHz unlicensed spectrum bands (ISM bands).

21. The web capable devices will be available to all eligible households within the Frontier service areas but may be distributed to both Frontier and non-Frontier customers who subscribe to broadband service at home. The non-profit partner will provide the administration process and ensure that the web capable devices are distributed consistent with the plan developed by Frontier, CETF and partners within the

guidelines of the non-profit's program and within the territory served by Frontier. The purpose of this program is to facilitate broadband adoption with the aspirational goal of achieving broadband adoption by 200,000 low-income households with an affordable offer, and an emphasis on outreach to the youth, people with disabilities, and elderly located in low-income defined areas.

22. The 50,000 Internet-enabled devices will be distributed over a two (2) year period, beginning in July 2016 and will be considered for purposes of achieving the aspirational goal of 200,000 low-income households adopting broadband service. Devices will have the functionality to access the internet and be compatible with the needs of students, aligned with technology programs of major school districts in the Frontier service areas, and capable of helping prepare students for Smarter Balanced Assessment System (SBAC) testing. Thus, Frontier shall consult with CETF and selected community-based organization partners on the specifications and distribution of the devices.

Community partnerships are developed and maintained with non-profit organizations, including schools and libraries, in order to establish the knowledgeable and trusted messenger vehicle within the community.

23. The public-private partnerships, focused on the distribution of the tablets and broadband adoption, will be developed by CETF and CBO partners, and will be selected by CETF. As examples of potential public-private partnerships:

- Frontier is interested in a partnership with the Youth Policy Institute (YPI), utilizing its existing knowledge and outreach programs to effectively communicate and deploy broadband outreach to the Promise Neighborhoods that are located within the Verizon Southern California footprint. CETF will work with selected community and non-profit organizations to develop and improve broadband adoption to low-income areas, partnering with YPI, or a similar non-profit organization, with selection the responsibility of CETF.
- Frontier is interested in a partnership with Humboldt State Foundation, utilizing its existing knowledge and outreach programs to effectively communicate and deploy broadband outreach to low-income residents who are located within the Verizon Northern California footprint. CETF will work with selected community and non-profit organizations to develop and improve broadband adoption to low-income areas, partnering with the Humboldt State Foundation, or a similar non-profit organization, with selection the responsibility of CETF.

24. If YPI, Humboldt State Foundation, and/or other selected non-profit organizations are able to participate at the level needed, CETF will work with each organization to develop a plan, with the Frontier program 'white labeled' as a Frontier and "non-profit" program.

- Work via YPI, Humboldt State Foundation (or other CETF recommended organizations, including schools, libraries, and non-profit organizations to serve as "trusted messengers") and partners to execute the Frontier program.
- Develop a workshop program to ensure Low-Income Customers can operate the basic functions on the Wi-Fi capable tablet, access websites, and access certain applications, funded via Frontier partnerships. Frontier will take the

lead to identify and solidify funding, up to $3,000,000 to be available through grants to CBOs to support activities to accomplish specific goals for broadband adoption (as part of achieving 200,000 adoptions by low-income households). Frontier and CETF along with CBO partners may solicit additional funds from charitable foundations and other sources if necessary to augment the Frontier contributions to support broadband adoption.

25. Once the FCC's Lifeline broadband program commences, and starting with the approximately 150,000 current Lifeline voice customers in the Verizon California footprint Frontier will commit to work with the Federal Communications Commission (FCC) on revisions to the Lifeline Program, to support broadband to low-income households. This will be a nationwide program with consistent rules regarding customer qualifications and a uniform application process.

- Frontier will adopt the FCC's Lifeline Broadband Offer and communicate proactively across California, starting with the 150,000 current Lifeline 'voice' Customers who have access to broadband.
- As broadband is expanded, based upon access to the second round of CAF II, the FCC Lifeline broadband service will be communicated.

Year 4 and beyond

26. Frontier remains committed to bring broadband accessibility to as many households in California as reasonably possible. We have shown the understanding and commitment to access federal and statewide funds over the years and this will continue. Frontier has also invested heavily across the operating areas, including the VZN properties acquired during 2010.

27. At the end of three years, Frontier will meet with the CETF executives to discuss progress and the plan going forward. It is our intent to continue the network improvement, provide broadband to additional unserved households, and provide the programs that will improve broadband adoption, with an emphasis on broadband adoption in the low-income defined areas of California served by Frontier.

Other agencies focused on network development and enhancement

28. Frontier agrees to meet with FirstNet on the emergency response network.

29. Frontier already participates in CENIC, K-12 and other programs bringing network connectivity to educational facilities. Frontier will continue to pursue other projects in the Verizon California footprint.

30. Frontier shall engage with the California Telehealth Network (CTN) and invite CTN (in addition to CENIC and K-12HSN) to stakeholder meetings. CTN may be a valuable partner for purposes of driving broadband adoption.

Frontier Consumer Advisory Board

31. Frontier will establish a Frontier Consumer Advisory Board of 12 members selected by Frontier executives. CETF will have one seat on the Board, to be nominated by CETF. A non-profit organization (a CBO) designated by CETF from among the CBO partners will have one seat on the Board, to be nominated by CETF. This is an unpaid position, but the quarterly Board meetings will include travel expense (within California) and a per diem for the CETF representative and the CETF-designated CBO representative.

Reporting

32. Outreach, Broadband Adoption, CAF II build-out progress will be reported quarterly to the Frontier Consumer Advisory Board. Frontier Region President will meet with the CETF CEO/President on a quarterly basis.

Other

33. Frontier recognizes the importance of leadership continuity as it relates to this Agreement, and will consult with CETF on a transition plan will be developed between Frontier and CETF to help ensure the initiatives continue without pause should a leadership change occur.

Miscellaneous

34. The agreements, representations, and covenants herein are expressly contingent upon consummation of the Transaction. Should the Transaction not be consummated for any reason, this MOU will be void and the representations herein will have no effect on the Parties.

35. Provided that the Transaction is consummated, Frontier agrees to fulfill the commitments presented herein.

36. CETF agrees that the commitments made in this MOU resolve any and all issues presented in CETF's pleadings, comments, testimony, appearances, correspondence, or other representations in connection with this Transaction and the Commission's review of this Transaction in A.15-03-005.

37. Frontier and CETF agree that the terms of this MOU replace and supersede any representations that are inconsistent with these terms, whether presented in formal comments, testimony, pleadings, appearances, correspondence, or any other informal or formal submissions in connection with this Transaction or the Commission's review of this Transaction in A.15-03-005.

38. CETF agrees to support the approval of the Transaction subject to the commitments identified herein. CETF agrees that commitments made herein resolve its concerns regarding the Transaction.

39. This MOU constitutes the entire agreement between the Parties in this proceeding, and this agreement expressly supercedes any prior agreements, without limitation, relating to the Transaction or the Commission's review of the Transaction.

40. Both parties were represented by counsel in connection with this MOU and the MOU is the product of mutual negotiation and drafting amongst the Parties.

41. This MOU will be interpreted and enforced pursuant to California law.

42. This MOU may be executed in counterparts.

Executed by:

California Emerging Technology Fund

Dated: October 23, 2015

By: Sunne Wright McPeak

Sunne Wright McPeak
President and CEO
California Emerging Technology Fund

Frontier Communications Corporation

Dated: October 23, 2015

By: Melinda White

Melinda White
Area President – West Region
Frontier Communications Corporation

(END OF APPENDIX E)

APPENDIX F

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. (U 5429 C), Verizon California, Inc. (U 1002 C), Verizon Long Distance LLC (U 5732 C), and Newco West Holdings LLC for Approval of Transfer of Control Over Verizon California, Inc. and Related Approval of Transfer of Assets and Certifications	A. 15-03-005 (Filed March 18, 2015)

JOINT MOTION OF FRONTIER COMMUNICATIONS CORPORATION, FRONTIER COMMUNICATIONS OF AMERICA, INC., THE UTILITY REFORM NETWORK, THE OFFICE OF RATEPAYER ADVOCATES AND THE CENTER FOR ACCESSIBLE TECHNOLOGY FOR APPROVAL OF PARTIAL SETTLEMENT

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October 30, 2015

I. INTRODUCTION.

Pursuant to Rule 12.1 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure ("Rules"), Frontier Communications Corporation and Frontier Communications of America, Inc. (collectively, "Frontier"), the Office of Ratepayer Advocates ("ORA"), The Utility Reform Network ("TURN"), and the Center for Accessible Technology ("CforAT") (the moving parties are collectively identified as the "Parties") request that the Commission adopt the Partial Settlement Agreement executed by the Parties on October 30, 2015 (the "Settlement Agreement"). A copy of the Settlement Agreement is attached hereto as Exhibit 1.

This Motion is submitted contemporaneously with three related procedural motions. First, the parties are submitting a Motion for Waiver of the Rule 12.1(a) limitation as to when such settlements may be submitted and for waiver of the Rule 12.1(b) settlement conference requirement. Second, the Waiver Motion is accompanied by a Motion for an Order Shortening Time by which the parties request responses to the Waiver Motion by close of business on Tuesday, November 3, 2015. Third, the Parties are submitting a second Motion for Order Shortening time with regard to this Motion to approve the settlement, pursuant to which the Parties request that comments on the Settlement Agreement be submitted within seven days, with a due date of November 6, 2015. This will allow all views on this Settlement Agreement to be known in time to allow them to be fully considered in the Proposed Decision.

With one exception as to the proposal to allocate a portion of Verizon's alleged gains from this Transaction to ratepayers (the "Verizon Ratepayer Allocation" issue), the Settlement Agreement reflects the agreed-upon resolution of all concerns raised by ORA, TURN, and CforAT in this proceeding. The Settlement Agreement is reasonable in light of the whole record, consistent with the law, and in the public interest. Thus, the Settlement Agreement meets the standard set forth in Rule 12.1(d), and should be adopted by the Commission as a resolution to all of the issues raised by ORA, TURN, and CforAT in this proceeding except as the "Verizon Ratepayer Allocation" issue, upon which the Settlement Agreement reflects no consensus.

This Motion and the associated Settlement Agreement are the end result of months of discussions amongst the Parties in an effort to narrow and resolve their differences to reach a reasonable set of agreed-upon recommendations relating to the Transaction. The Parties appreciate Commissioner Sandoval's and Administrative Law Judge ("ALJ") Bemesderfer's expertise and efforts to create a process that would result in a full evidentiary record that included input regarding all material issues, input from the members of the public, and site visits at representative Verizon California locations. This rich, open, and multi-dimensional examination of the issues pertaining to this Transaction fostered a greater understanding amongst the Parties, and allowed Frontier and the other Parties to update their positions as they learned more about the Verizon California service territories and digested the concerns expressed during the workshops and PPHs. The Parties believe that this nearly comprehensive agreement is a direct product of the Assigned Commissioner's and the Assigned ALJ's vision for the proceeding.

This Settlement Agreement reflects an agreement amongst Parties with disparate viewpoints and is the culmination of a series of evolutions in positions based on an exchange of information and significant, mutual compromises amongst the Parties. This Settlement Agreement is consistent with and expands the commitments Frontier has made in its testimony and the other settlements and Memorandum of Understandings filed by Frontier in this proceeding. This Settlement Agreement should be reflected in the Proposed Decision and guide the Commission's resolution of those issues raised by ORA, TURN, and CforAT regarding the Transaction and resolved in this Settlement Agreement.

II. BACKGROUND

Frontier and Verizon California Inc. ("Verizon California"), Verizon Long Distance and Newco West Holdings LLC filed Application 15-03-005 on March 18, 2015 seeking Commission approval to transfer assets and certifications held by Verizon California to Frontier ("the Transaction"). TURN and ORA filed Protests on April 27, 2015 setting forth their areas of concern. Frontier replied to these protests on May 7, 2015.

The parties exchanged extensive discovery regarding the issues raised by the Application and submitted extensive testimony setting forth their positions on the areas of concern raised by

TURN, ORA, and CforAT. Detailed testimony and briefs have been submitted with respect to the Transaction's compliance with the requirements of Public Utilities Code Section 854 and applicable law. In addition, there have been numerous Public Participation Hearings ("PPHs") and associated workshops held throughout Verizon's service territory. The Commission also held a one-day hearing focused on the state of the Verizon network. The Commission has developed a robust evidentiary record and the Transaction has been the subject of significant input from TURN, ORA, and CforAT as well as many other parties and interested stakeholders. The rich evidentiary and procedural record in this proceeding formed the basis for the Parties' Settlement Agreement and that record informs the reasonableness of the provisions in the Settlement Agreement.

II. SUMMARY OF SETTLEMENT AGREEMENT

As a result of their negotiations and mutual compromises, the Parties have resolved all of the outstanding issues raised by ORA, TURN, and CforAT except for the "Verizon Ratepayer Allocation" proposal that ORA advanced as to Verizon. As part of the Settlement, Frontier has committed to expanding or improving broadband service to more than 827,000 households in California and the state will benefit from $192 million in federal Connect American Fund (CAF II) support. The Company has further committed to maintaining or improving service quality and to specifically dedicating 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. Frontier has and committed to a rate cap through January 1, 2019 for certain basic and ancillary services and to various service performance tracking and reporting and other actions to ensure safe and reliable services to customers. The Settlement Agreement contains more than two dozen substantive conditions, including additional broadband, financial, and service quality reporting commitments and agreements to engage in public outreach, further commitments to ensure 911 functionality and battery backup at customer locations and remote terminals and respond to issues for customers with disabilities. Based on these conditions, ORA, TURN, and CforAT agree that their issues, with the one noted exception, are resolved. Frontier agrees to fulfill the conditions as set forth in the Settlement Agreement provided that the Commission adopts them and the Transaction closes.

The Settlement Agreement is extensive and it 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 Agreement 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 Federal Communications Commission.

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 consultant to conduct an independent analysis of customer satisfaction regarding voice and broadband services 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 territory.

7. Frontier will commit to complying with specific G.O. 133-C requirements and, for a period of three years starting in January 2017, Frontier would report information pursuant to the G.O. 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 VoIP-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 California Emerging Technology Fund (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 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.

The public interest benefits to be conveyed by these provisions, and the others outlined in the Settlement Agreement, are material, tangible, and highly significant.

III. THE SETTLEMENT AGREEMENT IS REASONABLE IN LIGHT OF THE WHOLE RECORD, IS CONSISTENT WITH LAW, AND IS IN THE PUBLIC INTEREST

To obtain Commission approval of a settlement, the parties must demonstrate that the settlement is reasonable in light of the whole record, consistent with law, and in the public interest. *See* Rule 12.1(d). In evaluating settlements, the Commission has recognized a strong public policy in California favoring settlements and avoiding litigation. *Re Pacific Bell*, 45 CPUC.2d 158, 169, D.92-07-076 (July 22, 1992). The Settlement Agreement satisfies all three requirements of Rule 12.1(d) and should be adopted as the resolution of all issues raised by ORA, TURN, and CforAT in the proceeding,except with respect to ORA's proposed Verizon Ratepayer Allocation condition (numbers 30 and 31 in ORA's Opening Brief) that Verizon should be required to contribute fifty percent (50%) of the alleged capital gain from the Transaction to an escrow fund for network enhancements pursuant to California Utility Code Section 854(b)(2) .

First, the terms of the Settlement Agreement are reasonable in light of the whole record. The Settlement Agreement resolves multiple issues related to the Transaction that were raised by ORA, TURN, and/or CforAT in this proceeding. The compromises represented by the terms of the Settlement Agreement are reasonable in light of the extensive evidence presented by the Parties in this proceeding and the extensive discovery and exchange of views that informed those positions.

Second, the Settlement Agreement is consistent with applicable law. California Public Utilities Code Section 854 sets forth the criteria for the Commission's review of Transactions such as in this case. One of the key provisions is for the Commission to assure that the transaction will: (1) provides short-term and long-term economic benefits to ratepayers; and (2) equitably allocates, where the commission has ratemaking authority, the total short-term and long-term forecasted economic benefits, as determined by the commission, of the proposed merger, acquisition, or control, between shareholders and ratepayers. Pub. Util. Code §854(b)(1) and (b)(2). This Settlement Agreement reflects an agreement between Frontier and ORA, TURN, and CforAT regarding terms that would allow the Commission to make these findings with respect to Frontier.

In addition, the Settlement Agreement provides the basis for the Commission to conclude that the Transaction is in the public interest based on the "public interest" factors outlined in Public Utilities Code Section 854(c). Chief among these benefits is the fact that more than 827,000 households will benefit from enhanced broadband service under the Settlement

Agreement. The Commission will also receive significant ongoing information regarding Frontier's progress in deploying broadband and regarding Frontier's service quality.

Third, as the above discussion confirms, the public interest supports adoption of the Settlement Agreement. The conditions set forth in the Settlement Agreement address the concerns raised by the consumer groups in this proceeding in a manner that is acceptable to Frontier. The record leaves no doubt that consumers will be better off if the Transaction goes forward pursuant to the terms of this Settlement Agreement. Further, the terms of the Settlement Agreement promote this outcome by resolving outstanding issues among the Parties. For these reasons, adoption of the Settlement Agreement is in the public interest.

IV. CONCLUSION

Based on the foregoing, the Parties respectfully request that the Commission grant this Joint Motion and adopt the Settlement Agreement in its entirety as a resolution of the issues raised by TURN, ORA, and CforAT in the proceeding.

Respectfully submitted this 30th of October, 2015.

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EXHIBIT 1

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. (U 5429 C) Verizon California Inc. (U 1002 C), Verizon Long Distance, LLC (U 5732 C), 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 No. 15-03-005

SETTLEMENT AGREEMENT

This Settlement Agreement ("Settlement") is entered into as of October 30, 2015, by and between Frontier Communications Corporation and Frontier Communications of America, Inc. (U 5429 C) ("Frontier"), the Office of Ratepayers Advocates ("ORA"), The Utility Reform Network ("TURN") and the Center for Accessible Technology ("CforAT") in accordance with Rule 12 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure ("Rules"). ORA, TURN and CforAT are referred to herein individually and collectively as the "Consumer Advocates." Frontier and the Consumer Advocates are collectively identified as the "Parties" to this Settlement.

All the terms of this Settlement are expressly contingent upon the consummation of the Transaction set forth in the February 5, 2015 Securities Purchase Agreement attached as Exhibit 1 to the Joint Application filed In the Matter of the Joint Application of Frontier Communications Corporation, Frontier Communications of America, Inc. (U 5429 C) Verizon California Inc. (U 1002 C), Verizon Long Distance, LLC (U 5732 C), and Newco West Holdings LLC for Approval of Transfer of Control Over Verizon California Inc. and Related Approval of Transfer of Assets and Certifications (A.15-03-005) ("Transaction").

This Settlement reflects additional commitments that Frontier has agreed to make provided that the Transaction is consummated, and it reflects the Consumer Advocates' agreement that, based on those commitments by Frontier, the concerns expressed in Consumer Advocates' pleadings, testimony, and appearances regarding the Transaction have been resolved, except as specified herein. Specifically, the Settlement resolves all issues raised by the Consumer Advocates, except that this Settlement does not resolve ORA's proposed condition (numbers 30 and 31 in ORA's Opening Brief) that Verizon should be required to contribute fifty percent (50%) of the alleged capital gain from the transaction to an escrow fund for network enhancements pursuant to California Utility Code Section 854(b)(2) ("Verizon Ratepayer Allocation"). To the extent that Frontier, ORA, TURN, or CforAT have previously recommended conditions that are inconsistent with this Settlement, those positions are hereby modified. Except with respect to the Verizon Ratepayer Allocation, which ORA and Frontier have not resolved, the Parties agree that this Settlement represents a compromise of all disputes between the Parties and is fundamentally fair, reasonable in the light of the whole record, consistent with the law, and in the public interest and the Transaction, subject to the conditions specified in this Settlement Agreement, provides sufficient customer benefit to ensure it is in the public interest, consistent with Section 854, and is fair and reasonable in light of the whole record.

RECITALS

WHEREAS, this proceeding was initiated through the Joint Application filed on March 18, 2015 by Frontier and Verizon ("Joint Applicants"); and

WHEREAS, the principal parties involved in the Transaction are Verizon California, Frontier Communications Corporation, and Verizon Communications Inc.; and

WHEREAS, Verizon California is an Incumbent Local Exchange Carrier ("ILEC") operating company providing telecommunications and other services in various parts of California; and

WHEREAS, Frontier Communications Corporation is a public utility holding company whose subsidiaries serve more than 3.5 million residential and business local exchange customers nationwide. These subsidiaries include two ILECs currently serving in California: Citizens Telecommunications Company of California Inc. d/b/a Frontier Communications of California; and

WHEREAS, Verizon Communications Inc. is the current indirect owner of Verizon California; and

WHEREAS, the parties expect the closing to take place in the first quarter of 2016 provided that regulatory approvals have been obtained by the end of 2015, consistent with the schedule in this proceeding; and

WHEREAS, protests and responses were submitted on April 27, 2015 by ORA, TURN and CforAT; and

WHEREAS, Joint Applicants provided a reply to the timely-received protests on May 7, 2015; and

WHEREAS, a Pre-Hearing Conference ("PHC") took place in this proceeding on June 10, 2015; and

WHEREAS, following the PHC, an initial Scoping Ruling was issued on June 24, 2015. That Scoping Ruling defined the scope of the issues in the proceeding with reference to the statutory standard in Public Utilities Code Section 854; and

WHEREAS, on July 2, 2015, an Amended Scoping Ruling was issued; and

WHEREAS, before and after the PHC, the ALJ issued a series of rulings setting schedules for PPHs and workshops in this 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. At ten of these locations, there were associated site visits, during which the parties viewed specific portions of Verizon's network. At these ten 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; and

WHEREAS, Joint Applicants submitted opening testimony on May 11, 2015. Intervenors submitted reply testimony on July 28, 2015. Joint Applicants submitted rebuttal testimony on August 24, 2015. Intervenors then submitted supplemental testimony on September 11, 2015, and Joint Applicants concluded with supplemental reply testimony on September 22, 2015; and

WHEREAS, on August 20, 2015, ALJ Bemesderfer issued an ALJ Ruling directing Verizon to prepare a report on the current condition of the Verizon network. That same ruling set evidentiary hearings devoted to addressing the condition of Verizon's network. Verizon served the network report on the parties on September 18, 2015. The hearing to address the state of Verizon's network took place on September 24, 2015; and

WHEREAS, on October 5, 2015, Joint Applicants, ORA, TURN and CforAT filed opening briefs; and

WHEREAS, on October 15, 2015, Joint Applicants, ORA, TURN and CforAT filed reply briefs; and

WHEREAS, as part of the Settlement, Frontier has committed to expanding or improving broadband service to more than 827,000 households in California and the state will benefit from $192 million in federal Connect American Fund (CAF II) support. The Company has further committed to maintaining or improving service quality and to specifically dedicating 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. California customers will continue to receive the services they receive from Verizon California. Frontier has and committed to a rate cap through January 1, 2019 for certain basic and ancillary services and to various service performance tracking and reporting and other actions to ensure safe and reliable services to customers; and

WHEREAS, the Parties have conferred regarding the possibility of settlement in this case, and the Parties have reached the terms of a partial settlement that the parties believe is in the public interest, reasonable in light of the record, and consistent with law, as set forth herein.

AGREEMENT

NOW, THEREFORE, based upon mutual agreement reflected in this Settlement, Frontier and the Consumer Advocates agree to resolve issues raised by the Consumer Advocates as follows:

1. On a semi-annual basis during the first three years of operation in the California markets, Frontier executives will meet with TURN and ORA officials to report Frontier publicly available company-wide, Verizon California and other Frontier California incumbent local exchange carrier financial results, including Verizon California and Frontier California financial results filed with the Commission, and to discuss the results from the reporting requirements in paragraphs 3, 6 and 7. Frontier regional executives will present quarterly financial results as well as results from the broadband deployment, Network Plan and expenditures reporting, subject to Commission confidentiality protections and nondisclosure agreements, with time allotted for discussion. Frontier executives will be available to respond to questions regarding revenue and expense drivers, including pricing, product packaging, competitive forces, network performance, industry

occurrences, and community engagement. Frontier representatives will include the Region President (or a designated executive), and any other executives who may be invited by the Region President.

2. Upon closing of the proposed Transaction, Frontier will accept the CAF II obligations and funds for the Verizon California service area. The Company will have access to approximately $32 million annually for six years from Verizon California service area to upgrade approximately 77,402 locations in California. Frontier will bear the risk and expense associated with fulfilling the CAF II requirements beyond the specific funding provided through the program. In its testimony filed in this proceeding, Frontier committed, to augment the broadband speed for 250,000 households in the Verizon California service area to support speeds of 25 megabits per second ("Mbps") downstream and 2 to 3 Mbps upstream by December 31, 2020. As part of this settlement, Frontier is committing to augment the broadband speed for an additional 150,000 households in the Verizon California and/or its existing California service area to support speeds of 25 megabits per second ("Mbps") downstream and 2 to 3 Mbps upstream by December 31, 2022, thereby increasing the broadband speed for 400,000 California households. Frontier estimates that approximately 60% of these households will receive 2 Mbps upstream and 40% of these households will receive 3 Mbps upstream. As part of this settlement, Frontier further commits to deploy or augment broadband services to provide broadband service to support speeds of 6 Mbps downstream and 1 to 1.5 Mbps upstream for an additional 250,000 unserved and underserved households in the Verizon California and/or its existing California service area by December 31, 2022. In addition, in its testimony, Frontier also committed to deploy broadband to an additional 100,000 unserved households to 10 Mbps downstream and 1 Mbps upstream by December 31, 2020. For purposes of this Agreement unserved households means households that do not currently have broadband service available from Verizon California or Frontier and underserved households means households that may have some wireline broadband service at speeds of less than 3 Mbps download from Verizon California or Frontier.

   With respect to the above commitments, Frontier acknowledges that the broadband enhancements will occur in urban, suburban, and rural areas and the Company will work in good faith to accelerate the expansion of service and at a minimum the following deployment milestones will be met:

Year	Minimum # Additional Households with Speeds of at least 10/1 Mbps (Households Not Covered By CAF II that are Unserved by Verizon California) (cumulative)	Minimum # Additional Households with Speeds of at least 25/2-3 Mbps (In Households where FiOS is not offered today) (cumulative)	Minimum # Additional Households with Speeds of at least 6/1-1.5 Mbps (In Unserved or Underserved Households) (cumulative)
Dec. 31, 2016	-		
Dec. 31, 2017	-	100,000	
Dec. 31, 2018	50,000	150,000	50,000
Dec. 31, 2019	75,000	200,000	100,000
Dec. 31, 2020	100,000	250,000	150,000
Dec. 31, 2021	100,000	300,000	200,000
Dec. 31, 2022	100,000	400,000	250,000

3. Broadband Reporting: On March 1, 2017, and every year thereafter until March 1, 2023, Frontier shall submit a confidential progress report to the Commission, ORA, TURN and settling parties identifying the progress made for deployment of broadband and the work completed during the preceding period ending December 31st to meet the interim deployment milestones set forth above. The report shall identify the number of new households with access to broadband speeds set forth above, including a list of census blocks where the households are located and the number of households that are in rural, urban, suburban areas, tribal lands and low income areas as defined by census data and federal poverty guidelines. Starting with the progress report for the period ending December 31, 2017, and every year thereafter until December 31, 2022, Frontier shall certify that it is meeting the percentage of households identified in the deployment milestones set forth above. In addition, Frontier will comply with the FCC CAF II deployment milestones and will submit to the Commission, ORA, TURN and other settling parties a copy of the reports and information supplied to the FCC related to California and the CAF II funding, within 3 business days after such filings with the FCC.

4. Frontier will provide an unredacted copy of the FCC 477 data for Internet Access Services and Local Telephone Services to the Commission, ORA, TURN and other settling parties within three business days after such filings with the FCC.

5. No later than 180 days from the closing of the Transaction, Frontier, in consultation with ORA will select and retain an independent expert Survey Consultant ("Survey Consultant"). This Survey Consultant will not have previously provided any services or contract work with Frontier in California and shall act independently to develop the survey design and survey questions for a multi-lingual customer satisfaction survey in the

Verizon California service area. The Survey Consultant will solicit input from stakeholders, including Commission staff, Frontier, ORA and other consumer groups in jointly held meetings facilitated by the Survey Consultant. The survey design and questions must be finalized no later than nine months from the closing of the Transaction. The parties recognize and acknowledge that the survey responses will reflect the state of the Verizon California network as transferred to Frontier and Frontier's ongoing network initiatives. The survey design must include customers identified as having limited English proficiency, and must include some customers who speak at least the top three languages spoken in Verizon territory. The survey must measure customer satisfaction for broadband and voice services (including VoIP), and the effectiveness of efforts to educate customers on the limitations of VoIP during power outages and the necessity for maintaining battery back-up. Frontier shall cooperate with all reasonable requests from the Survey Consultant, including supply the Survey Consultant on a monthly basis the list of existing customers, closed and/or completed installation orders, from which the Survey Consultant will create its survey sample. The Survey Consultant shall solicit input, through meetings with Commission staff, Frontier, ORA and other consumer groups to design the structure and content of its reports containing the survey results on an ongoing basis. The surveys will commence 12 months from the closing the transaction and will continue for two years. The Survey Consultant shall issue a confidential a survey Report to Commission staff, Frontier, ORA and other groups that participated in the planning process containing the results of the survey every quarter. The final report shall be submitted 24 months from the commencement of the surveys.

6. Frontier shall submit to the Commission, with a copy to ORA, TURN and other settling parties, a multi-year confidential Network Plan by no later than December 15, 2016 with the specific plans for improving voice and broadband service quality, reliability, and availability throughout the Verizon California service area, including its commitments regarding G.O. 133-C and other service quality metrics in paragraph 16. More specifically, the Plan is to include the following:

   a. Specific plans, including the specific types of network upgrades needed, to improve reliable and safe voice services in the following counties:

      i. Los Angeles County
      ii. San Bernardino County
      iii. Riverside County

   b. Specific plans, including the specific types of network upgrades needed, to improve broadband services in the following counties:

      i. Los Angeles County
      ii. San Bernardino County
      iii. Riverside County

   c. The Network Plan shall include at a minimum the following components:

      i. Goals: general goal articulating the desired outcome.

ii. Objectives: for each goal identify specific objectives that meet the S.M.A.R.T criteria: Specific, Measurable, Achievable, Realistic and Time-bound.

d. Specific goals and objectives to address outages (including, impacts user-minutes/DS3-minutes, durations, and affected users) pertaining to wireline, VoIP services, and broadband in California on the following FCC's categories:

    i. 1350 DS3-minutes outages
    ii. E-911 outage
    iii. 900,000 user-minutes/VoIP-minute outages
    iv. Blocked Calls

e. Specific goals and objectives to improve and meet on G.O. 133-C standards, to the extent the applicable standards are not being met.

7. Beginning December 31, 2016 and continuing through December 31, 2020, Frontier should provide the Commission with an annual, confidential report detailing Frontier's capital and operational expenditures related to planned actions identified in paragraphs #2 and 6 above. This report shall be filed on March 1st of the following year and should break down the data as specifically as possible and should include a comparison of the amount of expenditures as a percentage of total system expenditures and as an amount of expenditure per California access line. The report shall also include performance metrics to measure progress toward accomplishing the goals and objectives specified in Section 6.e.

8. For a period of three years, commencing on January 1, 2017, Frontier will report to the Commission and ORA, on a quarterly basis, the following service quality metrics for Verizon California and Frontier California for voice services in California, including VoIP services, consistent with the reporting previously or currently required by G.O. 133-C standards for traditional voice services (copper and FiOS voice) and residential VoIP services:

    - Installation Interval
    - Installation Commitments
    - Customer Trouble Reports
    - Out of Service Repair Interval
    - Answer Time.

9. Frontier will provide a copy of Federal Communications Commission (FCC) Network Outage Reporting System (NORS) reports for Verizon California and Frontier California VoIP services to the Commission and ORA, TURN and other settling parties within three business days after such filing with the FCC.

10. For a period of three years, beginning one year after the transaction closing, Frontier shall provide a confidential annual report on Verizon California broadband performance metrics that includes:

a. Annual data on residential broadband service outages. For each Level 2 and Level 3 service outage, the data should include:

   i. Number of customers affected
   ii. Incident Date
   iii. Incident Time
   iv. Duration of outage in total minutes
   v. Outage restoration time
   vi. Location of outage
   vii. Description of the Cause
   viii. Description of the incident, including description of the equipment that failed (if any) and location within the network that was impacted
   ix. Methods used to restore the outage
   x. Steps taken to prevent the outage from re-occurring

b. Service installation intervals (per month) for orders for new or revised residential broadband service received during the previous 12 months.

c. The total number of wireline residential broadband service orders received and the number of those orders completed, per month, during the previous 12 months.

d. For purposes of this Agreement, a Level 2 outage is a wireline residential broadband service outage impacting 500 to 1999 customers lasting four (4) hours or more and a Level 3 outage is a wireline residential broadband service outage impacting 2000 or more customers and last two (2) hours or more.

11. Frontier shall report, to the Commission and ORA, on an annual basis for three years post transaction, the placement of local and general managers and the locations they serve.

12. Frontier will in accordance with standard industry practices coordinate the transition of the Verizon California 911 functionality or database systems. In conjunction with the transition of 911 functionality and systems, Frontier will conduct sampling tests to measure the proper functioning of the Automatic Number Identification (ANI) and Automatic Location Identification (ALI) systems in various locations throughout its territory in California and will report on the results of the tests to the Commission within 180 days after closing of the Transaction.

13. Starting no later than 180 days following closing the transaction, Frontier shall (a) supply backup batteries with minimum standby times of 8 hours at no cost as part of any new installation of residential VoIP telephones, and offer to sell backup batteries at cost to any Verizon California residential customer subscribing to VoIP service. Frontier will comply with the guidelines for customer education programs regarding backup power systems adopted by this Commission in Decision (D.) 10-01-026 and, as part of the education program, notify Verizon California customers subscribing to VoIP service of the option to buy batteries at cost in its required notices specified in paragraph 14 below.

14. Frontier shall advise all existing Verizon California customers 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 different language versions, as well as large print and Braille versions for visually impaired customers, and shall be communicated to all Verizon California customers 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.

15. Frontier will agree to the following commitment regarding rates:

    a) Basic Residential Service Rate Caps. Until January 1, 2019, the basic primary residential rate for the Verizon California service areas will be capped at their current levels as of the date of the closing of this Transaction;

    b) Rates for Other Services. Until January 1, 2019, the rate for the following services for Verizon California will be capped at their current levels as of the date of the closing of the proposed Transaction: Caller ID, Call Waiting, Single Line Business Service, Directory Assistance, Non-Published Service and Inside Wire Maintenance.

    c) Exogenous Events. Notwithstanding the limitations included in paragraphs a and b, Frontier will be permitted to request reasonable recovery for the impact of exogenous events that materially impact the operations of Verizon California, including but not limited to, orders of the Federal Communications Commission ("FCC") and this Commission.

16. Frontier will address the Verizon California customer impacting service issues including network upgrade needs. Frontier is committed to identifying and addressing any service quality issues in the network it is acquiring from Verizon. Frontier has committed that 150 additional employees will be hired as described in the July 27, 2015 agreement with the Communications Workers of America ("CWA), which will facilitate a good working relationship between the Company and its employees that is critical to providing quality customer service. In addition to those 150 employees, Frontier plans to add another 25 employees to the employee workforce for a net increase of 175 positions beyond the existing Verizon California employee base that transfers to Frontier. At least until March 2019, Frontier will dedicate a total of 50 of these 175 newly hired employees beyond the transferring Verizon California employee base to identifying and remedying network infrastructure and equipment issues that could impact customer service quality. Frontier shall also:

    i. meet the Commission's Out of Service (OOS) standards within twenty four months of the transaction's closing and endeavor to achieve the following milestones:

        80% OOS within 12 months;
        85% OOS within 18 months;
        90% OOS within 24 months;

ii. provide credits to Verizon California voice customers who experience outages beyond 24 hours consistent the Citizens Telecommunications Company of California R.1.15 Rule No 15 Interruption of Service Outages; and

iii. meet the Commission's repair office answer time standard within twelve months of the transaction's closing.

17. For two years, Frontier shall offer broadband Internet access as a standalone service, for both FiOS or DSL.

18. Frontier will not require existing or new Verizon California customers served by copper facilities to migrate to FiOS services. Within 180 days from the closing of the transaction, Frontier will supply its customer service representative with training explaining that customers will not be required to migrate from copper to FiOS fiber-based services. Frontier will provide a copy of these confidential customer service training materials to ORA, TURN and other settling parties.

19. Frontier will evaluate customers subscribing to VoiceLink within 180 days after closing of the Transaction and submit a report to the Commission, ORA, TURN and other settling parties identifying timeline for migrating these customers onto a landline network. Frontier will not require a customer served by copper facilities to migrate to VoiceLink unless Frontier can demonstrate such migration is a necessary and temporary measure to ensure the customer has continuity of service while the copper service is being repaired.

20. Within 3 months from the closing of the proposed Transaction, Frontier will offer a reduced rate $13.99 interim broadband Lifeline service throughout the Verizon California service territory to customers who have selected Frontier as their Lifeline voice service provider. The interim broadband Lifeline service shall provide speeds of up to 6Mbps/1Mbps and will be offered at a rate of $13.99 (plus applicable taxes and surcharges). The service will include free installation and a free modem. This is an interim offering which shall be available to California consumers until Frontier makes available services pursuant to the FCC's broadband Lifeline program in California with sufficient time, of not less than 90 days, to transition to the FCC Program without undue disruption or hardship to the existing customer. Frontier will participate in the FCC's lifeline program that is being revised to provide an affordable, basic speed, stand-alone broadband internet service to low income customers. Frontier will continue to work with the FCC to advance the adoption of such a program and will publicize the availability of the program and implement the necessary processes to offer the service to all qualifying customers because it is committed to help bridge the "digital divide" by ensuring that affordable internet access is available for all at useable speeds.

21. Frontier agrees that the Company will not redline or otherwise exclude low income households in the deployment of broadband and other services, as demonstrated by the data provided in response to paragraph #3 above.

22. Frontier will lease additional fiber capacity from Digital 395, subject to Digital 395 honoring the pricing it has provided to Frontier, that would provide transport capacity for the following Verizon California exchanges serving approximately 35,000 households:

    1. Big Pine
    2. Benton
    3. Boron
    4. Bridgeport
    5. Bishop
    6. California City
    7. Crowley Lake
    8. Independence
    9. Inyokern
    10. June Lake
    11. Lone Pine
    12. Lee Vining
    13. Mammoth Lakes
    14. Olancha
    15. Pinecreek
    16. Ridgecrest
    17. Randsburg
    18. Trona

    Frontier's lease of the Digital 395 fiber would provide Frontier with transport capacity for complete data path diversity from these communities to the Internet, along with the potential for voice path diversity in certain communities, depending on the network configuration and routing of traffic.

23. Frontier will provide the Commission and ORA, TURN and other settling parties an annual report detailing Frontier's compliance with all conditions the Commission imposes upon the company in its approval of the Application.

24 Frontier will comply with the FCC requirements regarding diverse or redundant physical circuit connections from the central office to 911 Selective Routers. By December 31, 2016, Frontier shall submit a Tier 3 Advice Letter containing a list of the Verizon California central offices which do not have a diverse or redundant physical circuit connection to their serving 911 Selective Router. The advice letter shall identify any additional Verizon California central offices, including the timeline, where Frontier plans to deploy redundant network facilities.

25. In order to ensure that consumers in rural areas within Frontier's service territory have reliable access to 9-1-1 services, by December 31, 2016, Frontier will issue a Tier 3 Advice Letter describing the backup power supplies for its remote terminals and microwave equipment that are used for any middle mile facilities or local distribution. The Advice Letter will identify any battery backup power supplies that are less than 8

hours, if any, and the actions Frontier will take, including potentially replacing battery units where it is operationally reasonable to do so, to mitigate the loss of service associated with any backup power supply with less than 8 hour life. Such Advice Letter will also confirm that Frontier is in compliance with all CPUC and FCC rules and regulations regarding backup power supplies; that the Company has implemented a preventative maintenance and review process to inspect and assess the backup power supplies for its remote terminals and microwave equipment; and secured and/or made arrangement for backup power generators to respond to storms, fires or natural disasters.

26. By December 31, 2016, Frontier will prepare and distribute one or more training module(s) to educate its California employees on important accessibility issues. Frontier will engage a consultant with expertise in consumer accessibility issues to assist in the preparation of the training materials. This training will, among other items, address the placement and location of communications equipment at the customer premises (e.g. ONT and battery) to prevent mobility access issues. Frontier will redistribute this training module annually to its California employees. Frontier will provide a copy of the training materials in advance to CforAT for comments and recommendations in preparing the training materials before the training is communicated to California employees.

27. Frontier has engaged a consultant to audit, advise and recommend actions to bring Frontier's consumer facing web pages in compliance with the applicable WCAG 2.0 AA standards. Based on the completion of that review, during 2016 Frontier will develop a plan for improving compliance with the WCAG 2.0 AA standards and will provide that plan to CforAT. In addition, Frontier shall appoint a lead person for consumer oriented content included at www.frontier.com who will become familiar with and remain current on WCAG 2.0 AA and succeeding standards and advise the Frontier Web Content team in meeting such standards as they may evolve in their work. Beginning one-hundred eighty (180) days after closing, all new California consumer oriented pages created by Frontier for the Frontier.com website will meet Web Access Standards, except where technical dependencies limit the ability of new web pages to meet these standards. If there are any such technical limitations, Frontier will document these dependencies and report this information to CforAT.

28. Frontier customers self-identifying or a customer who previously identified as having a disability on their account will be referred to the "Frontier Center for Customers with Disabilities" (FCCD), which will handle interactions with Frontier, including Text Telephone (TTY) and other communication options for hearing impaired, accommodations for those with impaired vision as well as those with cognitive, speech or mobility impairments. Frontier will make available Braille billing, Large Print billing, as well as other industry standard alternative formats, if requested, including to Verizon California customers that had previously requested alternative format billing. Customers who request to receive bills in an alternative format shall receive other billing and existing service communications from Frontier in the same format. Frontier's bill shall contain information about the availability of alternative formats and information on how such material can be requested. Within one-hundred eighty (180) days after closing, Frontier will consult with CforAT regarding existing service communications sent to

California customers to assess, whether and how to include Large Print and other formatting changes, to enhance important service information communications.

29. The Parties acknowledge that the Verizon Ratepayer Allocation issue raised by ORA is not being addressed by this Settlement and ORA and Frontier, as well as Verizon, may continue to advocate their respective positions related to the Verizon Ratepayer Allocation issue in this proceeding. For purposes of clarity, ORA and Frontier agree that this Settlement does resolve ORA's ratepayer allocation issues and proposed conditions (Condition number 29 in ORA's Opening Brief) related to Frontier. The Parties otherwise agree that all of the other issues that each such individual party respectively raised in this proceeding have been addressed for the purpose of this Settlement and each of these parties supports the Commission approving the Transaction pursuant to Public Utilities Code Section 854 and applicable law.

30. The Parties will file a Joint Motion seeking Commission approval of the Settlement in its entirety and without change.

31. The Parties agree to use their best efforts to obtain Commission approval of the Settlement. The Parties will request that the Commission approve the Settlement without change and find the Agreement to be reasonable, consistent with the law and in the public interest. The Parties will take no action in opposition to this Settlement.

32. This Settlement is being presented as integrated package such that Parties are agreeing to this Settlement as a whole, as opposed to agreeing to specific elements to this Settlement. If the Commission adopts this Settlement with modifications, all Parties must consent to the modifications or any Party may void this Settlement, but only after such Party provides the other Parties to the agreement with the opportunity to meet and confer in good faith regarding the proposed modifications.

33. This Settlement was jointly prepared by all of the parties to the Settlement and any uncertainty or ambiguity existing in the document will not be interpreted against any party on the basis that such party drafted or prepared the Settlement.

34. By signing below, each of the undersigned represents and warrants that he/she is authorized to sign this Settlement on behalf of the party for whom he/she signs and thereby binds such party to the terms of this Settlement.

35. This Settlement constitutes and represents the entire agreement between the parties and supersedes all prior and contemporaneous agreements, negotiations, representations, warranties and understandings of the parties with respect to the subject matter set forth herein.

36. The Parties agree that the Commission's adoption of this Settlement should not be construed as an admission or waiver by any Party regarding any fact, matter of law, or issue thereof that pertains to the subject of this Settlement. Further, the Parties agree that the obligations set forth in this Settlement are without prejudice to positions each Party has taken, or may hereafter take, in any proceeding in another state, or in any proceeding

at the Commission. In accordance with the Commission's Rules of Practice and Procedure, Rule 12.5, the Parties intend that the Commission's adoption of this Settlement be binding on each Party, including its legal successors, predecessors, assigns, partners, joint ventures, shareholders, members, representatives, agents, attorneys, parent or subsidiary companies, affiliates, officers, directors, and/or employees. Adoption of this Settlement does not constitute approval of, or precedent regarding, any principle in any future proceeding, unless the Commission expressly provides otherwise.

37. If a Party fails to perform its respective obligations under this Settlement, after reasonable notice and opportunity to cure its default, any other Party may come before the Commission to pursue a remedy including enforcement. The Parties acknowledge that the Commission may assert jurisdiction to enforce the terms and conditions of this Settlement.

38. This Settlement may be amended or changed only by a written agreement signed by all parties and approved by the Commission.

39. This Settlement shall be governed by and interpreted in accordance with the laws of the State of California and the rules, regulations and General Orders of the California Public Utilities Commission.

40. This Settlement Agreement may be executed in one or more counterparts, and each of which when so executed and delivered will be an original and all of which together will constitute one and the same instrument.

Signature Page to Follow:

Executed on: October 30, 2015

Signed by:

Melinda White

Frontier Communications Corporation

Printed Name: Melinda White
Title: President – West Region

Office of Ratepayers Advocates

Printed Name: ______________________
Title: ______________________

The Utility Reform Network

Printed Name: ______________________
Title: ______________________

Center for Accessible Technology

Printed Name: ______________________
Title: ______________________

Executed on: October 30, 2015

Signed by:

Frontier Communications Corporation

Printed Name: ________________
Title: ________________

Office of Ratepayers Advocates

Printed Name: Joseph P. Como
Title: Director

The Utility Reform Network

Printed Name: ________________
Title: ________________

Center for Accessible Technology

Printed Name: ________________
Title: ________________

Executed on: October 30, 2015

Signed by:

Frontier Communications Corporation

Printed Name: ________________
Title: ________________

Office of Ratepayers Advocates

Printed Name: ________________
Title: ________________

The Utility Reform Network

Printed Name: Mark W. Toney, Ph.D.
Title: Executive Director

Melissa Kasnitz

Center for Accessible Technology (CAM)

Printed Name: Melissa Kasnitz
Title: Legal Counsel (CAM)

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. (U 5429 C), Verizon California, Inc. (U 1002 C), Verizon Long Distance LLC (U 5732 C), and Newco West Holdings LLC for Approval of Transfer of Control Over Verizon California, Inc. and Related Approval of Transfer of Assets and Certifications	A. 15-03-005 (Filed March 18, 2015)

[PROPOSED] RULING OF ASSIGNED ADMINISTRATIVE LAW JUDGE GRANTING JOINT MOTION OF FRONTIER COMMUNICATIONS CORPORATION, FRONTIER COMMUNICATIONS OF AMERICA, INC., THE UTILITY REFORM NETWORK, THE OFFICE OF RATEPAYER ADVOCATES AND THE CENTER FOR ACCESSIBLE TECHNOLOGY FOR APPROVAL OF PARTIAL SETTLEMENT

1. Pursuant to Rule 12.1 of the Commission's Rules of Practice and Procedure, and for good cause shown, the Joint Motion of Frontier Communications Corporation, Frontier Communications of America, Inc., The Utility Reform Network, the Office of Ratepayer Advocates, and the Center for Accessible Technology for Approval of Partial Settlement, filed on October 30, 2015, is hereby GRANTED.

2. The Parties' Settlement Agreement, attached to the above referenced motion as Exhibit 1, is hereby APPROVED.

By: ______________________
Administrative Law Judge

(END OF APPENDIX F)

APPENDIX G

MEMORANDUM OF UNDERSTANDING

Memorandum of Understanding
Between the National Diversity Coalition and Frontier Communications

PREFACE

This Memorandum of Understanding (MOU or agreement) between the National Diversity Coalition (NDC), also known as the Joint Minority Parties,[1] and Frontier Communications (Frontier) is intended to resolve all issues between the parties. Equally important, it is intended as a template consistent with the California Public Utilities Commission's increasing emphasis on protecting and advancing consumer rights and the Commission's unique and positive perspective on advancing the interests of minority communities who constitute more than 60% of utility and telecommunications company customers throughout the state.

This agreement is also intended to further advance the cooperation between faith-based institutions, which have unique abilities to serve and protect customers, and Frontier Communications.

All of the terms of this agreement are contingent upon the consummation of the transaction between Frontier and Verizon as agreed to in the Stock Purchase agreement.

Although this agreement contains a number of provisions designed to advance the interests of underserved customers, it should be noted that the parties through quarterly meetings, will be engaged in a wide range of other measures intended to advance the interests and protections of underserved communities. Where appropriate, the parties will make information on such measures available to the Commission and the public.

SPECIFICS OF AGREEMENT

I. Consumer Advisory Board

The CEO of Frontier Communications, acknowledging the importance of its California market and the uniqueness of its landscape, including its very large minority and underserved populations, met prior to this agreement being entered into, with the members of the NDC to discuss this MOU and Frontier's future in California. The next meeting with the CEO will be held in Southern California within 12 months of the transfer of landlines from Verizon to Frontier as approved by the CPUC.

To further advance the interests and concerns of consumers, particularly minority and underserved community consumers, Frontier Communications will create a Consumer Advisory Board. Some members of the Consumer Advisory Board will be nominated by the NDC, but full responsibility will lie with Frontier Communications as to who is appointed. Frontier will consider in the appointments unique expertise and perspectives, geography and racial, ethnic and gender balance that reflects the diversity of the state. It is intended that this Consumer Advisory Board be a public representative

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[1] This agreement between the National Diversity Coalition also includes the agreement with the parties known as the Joint Minority Parties.

"eyes and ears" for Frontier Communications in the rapidly changing telecommunications, internet, and video industry.

To ensure that the Consumer Advisory Board is effectively heard, senior executives from Frontier will meet quarterly with the Advisory Board. Frontier's CEO will support and will be invited to attend the Consumer Advisory Board meeting no less than once per year. Reasonable travel and per diem expenses for Advisory Board Members will be covered by Frontier. The Advisory Board will continue for a minimum of three years and then be reviewed in the context of ongoing changes and needs of consumers in California.

II. Diversity Issues, Including GO-156

Recognizing the importance of this Commission's commitment over the last 25 years to develop diversity of employment and supplier contracts, this agreement is intended not only to secure fulfillment of CPUC expectations, but also to address other diversity issues that will enhance and be consistent with long-term GO-156 objectives and warrant the unanimous support of the present commissioners. The parties agrees as follows:

a. Frontier, in coordination with NDC, will make commercially reasonable efforts to gather data on its supplier diversity agreements with all veterans to supplement its GO-156 reports on disabled veterans. No goals will be set at this time, but in cooperation with NDC, Frontier will work to gather information on all veteran contracts and publically report such.

b. To provide additional information of value to this Commission and GO-156 reporting, Frontier, in coordination with the NDC, will work to develop mechanisms to separately report by race, ethnicity and gender, and other GO-156 categories, the dollar amount and percentage of contracts awarded to businesses with $1 million or less in revenue, $5 million or less in revenue and $10 million or less in revenue. At this time, no separate goals will be set for attainment in these categories, and public reporting of this information will be made available annually to the Advisory Board.

c. Since jobs creation is of great importance to the state of California and its people, the NDC and Frontier will work together to develop a public report on an annual basis of estimated jobs created in California by Frontier's supplier diversity program. The parties will endeavor to develop accurate mechanisms for estimating the job creation in California, which may include gathering data for contracts with companies headquartered in California and/or with the majority of their workforce working in California.

d. The NDC and Frontier Communications recognize that this state, home to more than six million Asian Americans and an estimated six hundred thousand or more Asian American-owned businesses, has an interest in fully accurate data regarding both employment and supplier diversity for all Asian American sub-ethnic groups.

Therefore, the NDC and Frontier Communications will work together to develop a format, where feasible, to report disaggregated supplier diversity broken down by major Asian American sub-ethnic groups. The parties will consider, for example, using the U.C. system and/or the U.S. Census Bureau's system of classification. No separate sub-ethnic supplier diversity goals will be set, but the data will be publicly reported.

e. Successful supplier diversity programs require not only corporate and Commission support, but training and technical support programs to develop the capacity of more small and mid-sized minority owned businesses who are qualified and capable of performing the needed services. With this in mind, the parties agree that they will examine the technical assistance programs of major utilities and telecommunications companies, and Frontier will make a good faith effort to appropriately develop and fund these or other similar programs. This will include a special emphasis on programs offered through minority chambers of commerce, community colleges and faith-based institutions, including programs targeted toward developing business acumen among the youth.

f. Due to the large role of Tier 1 companies in affecting job and employment opportunities for the minority community, Frontier will on at least an annual basis encourage all of its Tier 1 suppliers to participate in a meeting jointly hosted by Frontier and the NDC to meet and discuss opportunities with smaller suppliers and entrepreneurs. One of the purposes of such meetings will be to expand the number and dollar amount of contracts awarded to small minority-owned businesses that create jobs, particularly in underserved communities.

g. One of the key purposes of the above diversity efforts will be to maintain the relatively robust record of supplier diversity at Verizon. Although it is acknowledged that the specific achievements of Verizon may be difficult to replicate in the first two to three years as Frontier switches from Verizon contractors to Frontier contractors, the long term goal will be to meet or exceed Verizon's accomplishments. For example, the parties have discussed setting future aspirational goals of at least 50 percent of California contracts by dollar amount being directed toward the business enterprises that fall within specific GO-156 categories of minorities, women and disabled veterans.

III. Employment Diversity

a. Frontier Communications will work with the NDC towards ensuring that its senior executive, professional and management teams, as well as its overall employment, reflect the diversity of the communities it serves in California. The parties agree to work on a wide range of efforts intended to attract minority candidates at all levels throughout Frontier's footprint in California. The aspirational goal will be within five years to have diversity at all levels that accurately reflect the growing diversity of California. This data, including recruitment efforts, will be made available on an annual basis to the NDC, upon request, including through the release of the annual Equal Employment report.

b. Assuming the continuing existence of annual CPUC *en banc* diversity proceedings, Frontier Communications will make a presentation of its diversity achievements in supplier diversity at such proceedings and will be represented by its regional President.

IV. More Effective Outreach to Underserved Communities

a. Technology is rapidly changing, including advances both in wireless and landline services. Frontier shall attempt to provide the most effective updated technology with competitive pricing throughout its service area, including rural areas. The parties commit to discussing at their regular meetings how to ensure that affordable services are available, particularly in the low-income and minority communities served by Frontier. For example, Frontier commits to fully following the FCC proposed model relating to low-cost Lifeline phone service.

Other issues relating to ensuring access to first-class, low-cost essential services that the parties will be discussing at their quarterly meetings include:

- Special outreach and training for generation Z, the youth who will soon be 75 percent of our state's telecommunications customers;

- Special outreach and training for senior citizens who have difficulties adjusting to recent and rapid technological change; and

- Frontier taking full advantage with the support of NDC of all state and federal regulatory broadband funding opportunities.

In addition, NDC and Frontier Communications will discuss the implementation of call blocking technology that will allow landline customers to effectively block unwanted calls and fraudulent efforts to sell services and products that they do not want. This service can help protect communities that are particularly vulnerable to fraud, such as the elderly and minority groups with low-English proficiency. This is also intended to prevent harassment by merchants or political activist groups.

b. Further, NDC and Frontier Communications will continue to discuss how Frontier will participate in the FCC's lifeline program that is being revised to provide an affordable, basic speed, stand-alone broadband internet service to low income customers. Frontier will publicize the availability of the program and implement processes to offer the service to all qualifying customers because it is committed to help bridge the "digital divide" by ensuring that affordable internet access is available for all at useable speeds.

V. Philanthropy

Although Frontier is a national corporation, it will be working with NDC to attain overtime the relatively good records of philanthropy to underserved communities in California of Verizon, AT&T and utilities, such as Edison, PG&E and Sempra. This will include annual reporting on the dollar amount and purposes of its philanthropy, including to faith-based, minority community-based and other non-profit institutions providing services to assist undeserved communities.

VI. Faith-Based Communities

The NDC includes the leadership from our nation's 40,000 Latino evangelical churches and 5,000 African Methodist Episcopal churches, as well as members affiliated with other faith-based institutions committed to underserved communities, such as the Catholic Church under Pope Francis.

Frontier Communications, recognizing the ability of churches to advance the causes of undeserved communities, is particularly committed to working with the faith-based community in general and the faith-based institutions within NDC to better and more effectively serve the underserved throughout California. Therefore, NDC and Frontier will be discussing supporting efforts through faith-based organizations at their quarterly meetings. Annual reports may be issued on the progress and results of these meetings.

VII. Consumer Service Centers

Historically, consumers who were victims or otherwise had complaints of inadequate services or fraud have to file such grievances with federal and state agencies. As a result, as the FCC and FTC have informed NDC, and CPUC records reflect, a disproportionally low percentage of victims filing complaints are from undeserved communities, including minorities. Therefore, Frontier Communications and NDC will be working on a number of efforts to maximize service, which will include effective approaches to hearing and addressing complaints from within minority communities. This is a work in progress and could involve increasing cooperation with the CPUC, FCC and FTC.

One inexpensive and potentially highly effective mechanism presently being discussed between NDC and Frontier is to receive complaints through major churches in the communities. Another involves setting up consumer service bureaus at booths inside cooperating supermarket chains. For example, Christ Our Redeemer Church (congregation of 3,500) and Templo Calvario (congregation of 6,500) have been discussing such centers with the Consumer Financial Protection Bureau, the FCC and the FTC, including at meetings in D.C. Similarly, Island Pacific, a major Asian American supermarket chain that primarily serves Asian Americans, but includes a significant number of Latino customers, has agreed to allow service center booths in up to fifteen of their supermarket locations in California. An annual report will be filed with the CPUC, and CPUC representatives, including commissioners, will be invited to be part of the solution.

VIII. Creation of Diverse and Accurate Programming

An increasing number of telecommunications companies are involved directly or indirectly in the content of programming relating to the media, both TV and radio, as well as online. Some of the grievances and concerns of NDC and underserved communities includes that the media portrayal of African Americans is negative and has little or no place for development of characters and storylines that are positive and aspirational. Similarly, our nation's Latino community contends that it is inadequately served by Latino networks, including those owned by non-Latinos that cater to outdated images of America's Latino population. And Asian American groups contend that there is no state or national network that highlights the diversity of our nation's many different Asian American sub-cultures.

The parties, at their quarterly meetings as part of the Consumer Advisory Board agenda, will be discussing the opportunity to create far more diverse, more accurate, and more positive portrayals of the minority community's aspirations and achievements. This discussion will recognize, however, that Frontier is not in the content business and does not create content or any other online media.

IX. Diverse Language Options

Presently, Frontier Communications has what it believes to be effective bilingual communication with the Latino community it serves. However, the parties have agreed that given the diversity of cultures and languages in California, Frontier will work with NDC to identify a broad range of communities that are underserved by present language facilities. It is the goal of the parties, with support from the FCC and the CPUC, to develop a plan in the near future that will effectively serve more diverse communities where English is not their first language. An initial emphasis will be on identifying relatively large communities that could potentially be benefitted by multi-language approaches

In conclusion, this agreement is intended to enable Frontier Communications to provide the most cost efficient, effective, pro-consumer telecommunications services in California and at the same time rapidly develop new technologies and mechanisms for better serving undeserved communities, including the 70% of Californians who live from paycheck to paycheck.

Executed on: ______________________

Signed by:

Melinda White
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/s/ Faith Bautista
President & CEO, National Asian American Coalition

/s/ Mark Whitlock
Senior Minister, COR AME Church, Irvine, CA
Director of Corporate Partnerships, 5,000 African Methodist Episcopal Churches
Executive Director, Ecumenical Center for Black Church Studies
Chair, Orange County Interdenominational Alliance

/s/ Jack Miranda
Vice Chair, Orange County Interdenominational Ecumenical Council

/s/ Gilbert Vasquez
Chair, Los Angeles Latino Chamber of Commerce Serving 250,000 Latino Businesses

On behalf of all the members of the NDC

(END OF APPENDIX G)

Concurrence of Commissioner Catherine J.K. Sandoval

A.15-03-005

Concurrence of Commissioner Catherine J. K. Sandoval on item 20, D.15-12-005, Decision Granting Application Subject to Conditions and Approving Related Settlements 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.

This Decision approves the transfer of Verizon California's assets and operating franchise to Frontier creating a transformational opportunity for California. It triggers the deployment of more than $230 million in federal funding to build high-speed broadband and voice networks in California's high-cost areas in rural and many urban and suburban communities. Upon closing, more than 2.2 million service lines will be transferred from Verizon to Frontier. All Californians – rural, urban, suburban, and those living in tribal regions, and California's economy and public safety – will benefit from the conditions, settlement and Memoranda of Understanding (MOUs) (collectively "the terms") this Decision approves. The CPUC will monitor the implementation of the terms of our approval to ensure that this transaction serves the public interest as required by Public Utilities Code Section 854(c). We anticipate good faith actions to meet these commitments, and remain open to petitions from the public and parties if steps are needed to ensure prompt compliance.

These terms create new prospects for California families and communities, enhance public safety, increase economic opportunities, augment our ability to manage precious resources such as water and energy, and shift our capacity to combat climate change through better communications resources. This Decision requires Frontier to offer broadband connectivity at an affordable price to all LifeLine-eligible Verizon customers. It mandates that Frontier expand and enhance broadband in Verizon California's service areas through the Federal Connect America Fund programs, application to the California Advanced Services Fund, and Frontier's investment of its own capital.

During the course of this proceeding the CPUC held Workshops and Public Participation Hearings (PPHs) in eleven communities across Verizon's service territory that spans nearly the 1,000 mile length of California. We thank the communities that hosted us, the more than 1,100 people who attended this proceeding's Workshops and PPHs, the CPUC staff, Commissioners, advisors, members of the public, and parties participated in this proceeding. As we traveled across the state we learned about the status of Verizon's network and the opportunity to improve lives by enhancing communications services. This review highlighted the profoundly physical nature of modern telecommunications networks, composed of many thousands of miles of wire, fiber, switches, routers, poles and underground conduit, central offices, and remote terminals. The telecommunications network is a hybrid of copper and fiber, not exclusively one or the other. Many of these facilities also provide the backbone for wireless calls through special access facilities wireless carriers use to connect wireless calls to the public switched telephone network (PSTN). Without these facilities, wireless phones would be no more than walkie-talkies with limited range. The California Attorney General's analysis of the effects of this transaction on competition highlighted its potential to build more special access facilities to spur wireless competition, and the competitive benefits of transferring control of such facilities to Frontier, which unlike Verizon California, has no wireless affiliate.

This proceeding underscored the impact of telecommunications networks and services, or the lack thereof, on California's communities and families. People and communities are increasingly dependent on telecommunications networks to communicate with their neighbors and the wider world, for jobs, education, health, public safety, and economic services. We visited communities connected to high-speed Internet networks that provide video capabilities and broadband Internet at 500 Mbps symmetrical. Communities such as Long Beach and Claremont enjoyed access to Verizon FIOS high-speed broadband service, but also complained about telephone wires that did not conform to CPUC General Order (GO) 95, and that many residents lost telephone service when it rained. Other communities such as the residential area of the Morongo reservation near Palm Springs had only dial-up Internet access. Towns such as Garberville, the gateway to the Redwood National Forest on Highway 101, and the Hoopa reservation in Hoopa, California, had Internet too slow to be called broadband at speeds of only 1.5 mbps up and 768 mbps down. Communities with no or slow broadband faced limited economic growth, daily challenges to their public safety, difficulties managing their water systems, and had to bus their children to take Common Core educational standards tests.

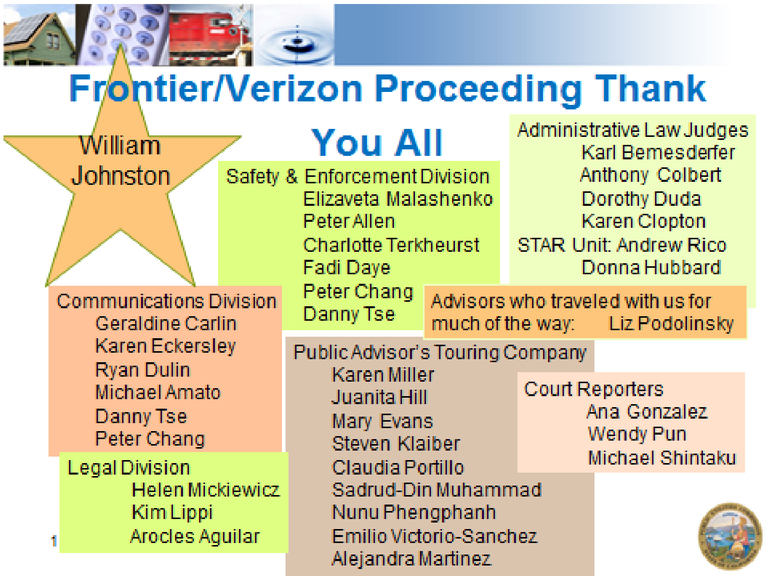
Some communities, especially those in many tribal and remote rural regions, lacked voice and broadband access altogether. Poor or non-existent voice access left residents with unreliable or no access to 911 or basic telephone service, forcing people to drive 45 minutes or more to reach help in areas without cell phone or reliable landline service. In communities like Weitchpec, home of the Yurok tribe, California's largest tribe with more than 6,000 members, and Orleans, home of the Karuk tribe, there was no wireless phone service except through limited capacity repeaters at tribal headquarters. Telephone service was poor in those areas. Residents testified about 911 calls that didn't go through or losing dialtone so they could not make calls, including 911 calls. A member of the Karuk tribe testified that when her neighbor called 911 during a fire, the Public Safety Answering Point (PSAP) could not determine the location of the landline caller to 911, and phone service quickly went dead in the town. The PSAP dispatched fire engines to Orland, California, hundreds of miles away from the fire in Orleans, California. By the time telephone service was restored in Orleans, the Karuk tribal member's home had burned down, despite the valiant efforts of the Orleans Volunteer Fire Department and the Karuk Tribe's Fire Department. Many areas that lack reliable telephone service are also areas of high wildfire danger. Forests, homes, and community resources may burn while waiting for temporary services to be connected through a Cell on Wheels (COW) or Cell on Light Truck (COLT) that requires access to wireline facilities to connect calls to the PSTN.

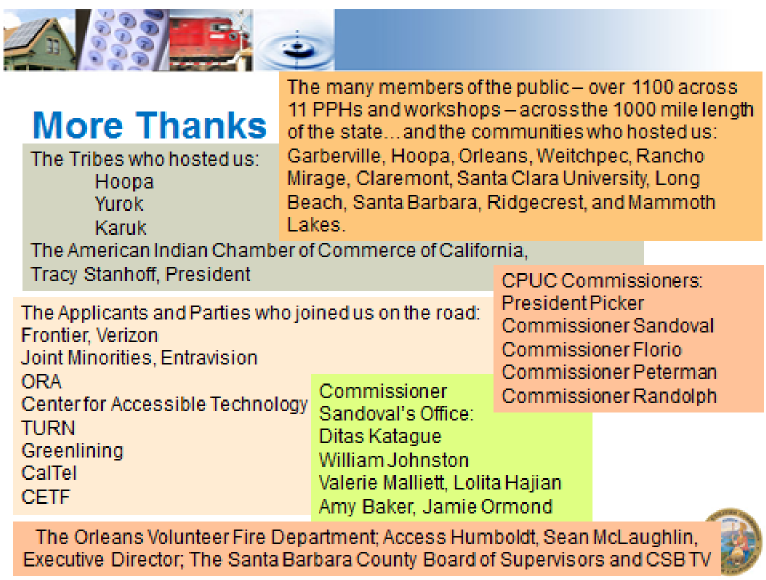
All Californians deserve reliable and resilient telecommunications service. This Decision helps accomplish that objective and brings equity and safety to communities too long left behind.

The public comments, workshops and public participation hearings in these proceedings also highlighted the importance of redundancy in modern telecommunications networks. A fire near Mammoth Lakes in 2015 burned telephone lines that connect the region to the PSAP in Victorville, hundreds of miles to the south, leaving residents, public safety personnel, and communities unable to call 911. This Decision imposes conditions to encourage building redundant networks, and to take advantage of facilities such as Digital 395, a broadband network funded by the CPUC and the federal government that is laid underground and withstood the same fire that burned Verizon's overhead lines. We saw this problem elsewhere – in Garberville, Hoopa, Weitchpec, Orleans, and other communities – and Frontier has committed to reducing "island" network segments and to increasing network resiliency.

Frontier and Verizon have announced that they plan to close this transaction in March 2016. This Decision imposes on Verizon the duty to maintain the network in good condition and in compliance with the CPUC's rules through closing in light of Verizon's status as a Carrier of Last Resort (COLR) and the holder of a franchise to offer telecommunications service. We require that Verizon come into compliance with the CPUC's rules regarding maintenance of poles, wires, and conduits (General Order 95), and the CPUC's operational service rules (GO 133-c). Compliance with the CPUC's rules is even more critical during the interregnum between the approval of this Decision and the deal's closing since the El Nino rains, and the storms, floods, and mudslides El Nino portends, are anticipated during this same time. The status of Verizon's network was a major issue in this proceeding. Our Decision requires Verizon to bring its network into compliance with the CPUC's rules before closing. This Decision heralds to all carriers and Californians our commitment to safe, reliable, resilient, and effective service.

This proceeding would not have been possible without the work of dozens of CPUC staff members, the commitment of the CPUC Commissioners and staff to an inclusive public process, the participation of the parties, and the members of the public who commented on the proceeding, hosted and attended our eleven Workshops and PPHs. I am grateful to all of you as indicated on the attached thank you slides, and look forward to the transformational improvements this Decision will bring to California's communities and prospects.





Dated December 8, 2015 at San Francisco, California

/s/ Catherine J. K. Sandoval

Catherine J. K. Sandoval
Commissioner