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BEFORE THE ARIZONA CORPORATION COMMISSION

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GARY PIERCE
PAUL NEWMAN
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AZ CORP COMMISSION
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IN THE MATTER OF THE JOINT APPLICATION OF VERIZON CALIFORNIA, INC., VERIZON LONG DISTANCE, LLC, VERIZON ENTERPRISES SOLUTIONS, LLC, FRONTIER COMMUNICATIONS CORPORATION, NEW COMMUNICATIONS OF THE SOUTHWEST INC., AND NEW COMMUNICATIONS ONLINE AND LONG DISTANCE, INC., FOR APPROVAL OF THE TRANSFER OF VERIZON'S LOCAL EXCHANGE AND LONG DISTANCE BUSINESS.

DOCKET NO. T-01846B-09-0274
T-03289A-09-0274
T-03198A-09-0274
T-20679A-09-0274
T-20680A-09-0274
T-20681A-09-0274

STAFF'S NOTICE OF FILING SURREBUTTAL TESTIMONY

Staff of the Arizona Corporation Commission ("Staff") hereby files the Surrebuttal Testimony of Staff Witness Armando F. Fimbres in the above-referenced matter.

RESPECTFULLY SUBMITTED this 19th day of October, 2009.

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Arizona Corporation Commission

DOCKETED

OCT 19 2009

DOCKETED BY

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SURREBUTTAL

TESTIMONY

OF

ARMANDO F. FIMBRES

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**IN THE MATTER OF THE JOINT APPLICATION
OF VERIZON CALIFORNIA, INC., VERIZON
LONG DISTANCE, LLC; VERIZON
ENTERPRISES SOLUTIONS, LLC, FRONTIER
COMMUNICATIONS CORPORATION, NEW
COMMUNICATIONS OF THE SOUTHWEST INC.
AND NEW COMMUNICATIONS ONLINE AND
LONG DISTANCE, INC. FOR APPROVAL OF THE
TRANSFER OF VERIZON'S LOCAL EXCHANGE
AND LONG DISTANCE BUSINESS**

OCTOBER 19, 2009

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman
GARY PIERCE
Commissioner
PAUL NEWMAN
Commissioner
SANDRA D. KENNEDY
Commissioner
BOB STUMP
Commissioner

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COMMUNICATIONS CORPORATION, NEW)	T-20680A-09-0274
COMMUNICATIONS OF THE SOUTHWEST INC.,)	T-20681A-09-0274
AND NEW COMMUNICATIONS ONLINE AND)	
LONG DISTANCE, INC. FOR APPROVAL OF THE)	
TRANSFER OF VERIZON'S LOCAL EXCHANGE)	
AND LONG DISTANCE BUSINESS)	

SURREBUTTAL

TESTIMONY

OF

ARMANDO FIMBRES

PUBLIC UTILITIES ANALYST V

ON BEHALF OF

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

OCTOBER 19, 2009

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1 **INTRODUCTION**

2 **Q. Please state your name, occupation, and business address.**

3 A. My name is Armando Fimbres. I am a Public Utilities Analyst V employed by the
4 Arizona Corporation Commission (“ACC” or “Commission”) in the Utilities Division
5 (“Staff”). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

6
7 **Q. Have you previously filed testimony in this proceeding?**

8 A. Yes. I filed testimony on behalf of Staff on September 21, 2009.

9
10 **BACKGROUND**

11 **Q. What is the purpose of your testimony?**

12 A. Staff’s testimony responds to the Rebuttal Testimony filed Timothy McCallion and Daniel
13 McCarthy on behalf of Verizon and Frontier (“the Applicants”), respectively, on October
14 5, 2009.

15
16 **STAFF’S REPOSENSE TO THE REBUTTAL TESTIMONY OF TIMOTHY MCCALLION.**

17 **Q. Does Mr. McCallion raise issues in his Rebuttal Testimony with any of Staff’s**
18 **conditions?**

19 A. Yes. Mr. McCallion’s requests modifications to Condition 12.

20
21 **Q. What modifications does Verizon request to Condition 12?**

22 A. Mr. McCallion’s rebuttal testimony states “It is clear from other parts of Staff’s testimony
23 that this condition should apply only to Verizon California employees in Arizona. (Staff
24 Testimony at 16-17.) Verizon currently has 22 ILEC employees in Arizona and will not
25 have a final count of Arizona employees affected by the transaction until close of the
26 transaction; for example, some employees may choose to retire up until closing. To the

1 best of our knowledge, this has not been a condition imposed in similar transactions in
2 Arizona and a count of employees prior to the Commission issuing an order would
3 provide little benefit. The Applicants, however, would agree to notify the Commission of
4 the number of employees in Arizona that actually transfer to Frontier at closing of the
5 transaction.”

6
7 **Q. What is Staff’s response to the modifications requested by Verizon for Condition 12?**

8 A. Mr. McCallion is correct that Staff Condition 12 was intended to apply to Verizon
9 California (“VCA”) employees in Arizona. Staff recommended this condition because of
10 Staff’s uncertainty that the employee count impacted by the proposed transaction was
11 finalized. Mr. McCallion’s explanation that some employees may retire upon closing¹
12 suggests that the upper range of the full employee count (22) has been established. By this
13 Staff understands that only the lower range is uncertain, that the full count of employees
14 impacted could be below 22 but will not exceed 22. Mr. McCallion goes on to state
15 Verizon’s willingness to notify the Commission of the number of employees in Arizona
16 that actually transfer to Frontier upon closing of the proposed transaction².

17
18 Staff is willing to modify Condition 12 consistent with its understanding of Verizon’s
19 request, as follows – “that the Applicants stipulate that the number of VCA employees
20 impacted by the proposed transfer will not exceed twenty-two (22) before an Order is
21 issued in this matter; and, that a final count of employees along with a comprehensive
22 explanation of the compensation and benefit treatment of impacted employees are
23 provided within 60 days of the transaction’s consummation.”
24

¹ Rebuttal Testimony Of Timothy McCallion On Behalf Of Verizon October 5, 2009, page 2, lines 14 – 18

² Rebuttal Testimony Of Timothy McCallion On Behalf Of Verizon October 5, 2009, page 2, lines 20 – 22

1 **Q. Did Mr. McCallion raise issues regarding system's integration in his Rebuttal**
2 **Testimony?**

3 A. Yes. Mr. McCallion questioned the appropriateness of Staff's Direct Testimony
4 discussion regarding systems support and Staff's belief "that VCA's commitment to
5 support Frontier should be extended as the first year will likely be devoted to
6 understanding the full-cycle of seasonal issues, in other words, one needs a full cycle to
7 understand any changes that need to be made and another full cycle to implement those
8 changes. A second year of support may be needed to modify and integrate the VCA
9 systems with Frontier's."

10
11 **Q. What is Staff's response?**

12 A. Verizon's testimony attempts to reduce the concern raised by Staff by conveying that
13 Frontier has waited as long as seven years to integrate systems in past transactions.
14 However, Frontier's past performance adds to Staff's concern that systems integration is
15 very complex and likely will not be done in one year. The purpose of Staff's
16 recommendation is to add certainty where uncertainty exists. Nonetheless, Staff clarifies
17 that this recommendation is not a condition for approval of the proposed transaction.

18
19 **Q. Did Mr. McCallion disagree with Staff's assessment regarding a confidential filing of**
20 **a projected capital investment plan?**

21 A. Yes. Verizon disagreed with Staff's recommendation that Verizon provide a confidential
22 filing of a projected capital investment plan for Arizona or for the exchanges served by
23 Verizon's Blythe, California central office. Verizon, nonetheless, agreed to provide a
24 confidential supplement to staff's prior data request. Staff received the Verizon 2009
25 Arizona estimate on October 8, 2009. However, Verizon did not provide the five-year
26 projection requested by Staff.

1 **Q. Did Mr. McCallion disagree with Staff's recommendation regarding employee**
2 **compensation and benefits?**

3 A. Yes. Verizon strongly disagreed with Staff's recommendation that employees "should not
4 have their compensation or benefits reduced for a period of two years following the
5 effective date of a Commission order in this manner." The Applicants have agreed that
6 management employees will continue to receive the same levels of compensation and
7 benefits they receive now from Verizon for the remainder of the calendar year after the
8 transaction closes³. Nonetheless, Staff clarifies that this recommendation is not a
9 condition for approval of the proposed transaction.

10
11 **STAFF'S RESPONSE TO THE REBUTTAL TESTIMONY OF DANIEL MCCARTHY.**

12 **Q. Please summarize Staff's understanding of Mr. McCarthy's Rebuttal Testimony.**

13 A. Mr. McCarthy's Rebuttal Testimony states that Frontier does not believe Conditions 1, 2,
14 8, 10 and 15, from Staff's Direct Testimony, are necessary but is not opposed to them.
15 Mr. McCarthy's Rebuttal Testimony then responds to concerns that Frontier has with
16 Conditions 3 – 7, 9, 12, 13 and 14 and recommends that the Commission either reject or
17 modify Staff's conditions.

18
19 **Q. Does Frontier have issues with Condition 3?**

20 A. Yes. First, Frontier objects to the 18-month period chosen by Staff for comparative data.
21 Second, Frontier offers an absence of customer service complaints within Frontier's three
22 ILEC areas as a defense for potentially allowing the VCA answer time to increase to the
23 Frontier answer.

³ Frontier's response to STF 2.6

1 **Q. What is Staff's response to Frontier's testimony specific to Condition 3?**

2 A. The 18-month period was the longest period of common data provided by both
3 Applicants. Staff specifically asked for "...2007, 2008 and year-to-date 2009..." in data
4 request STF 1.5. Verizon provided Residential Service Call Center answer time data from
5 January 2007 through June 2009; Frontier only provided data from January 2008 through
6 June 2009. The Applicants could have even supplemented the data with July and August
7 2009 data before Staff submitted its Direct Testimony, but did not. By choosing the
8 longest period, service anomalies are mathematically dampened or averaged and therefore
9 should be more representative of the service of both Applicants.

10
11 That residence customers within Frontier's three ILEC's may not have filed Commission
12 complaints regarding an monthly answer time nearing 4 minutes⁴ is not a defense for
13 potentially imposing on VCA residence customers an answer time almost 5 times longer
14 than the VCA answer time based, on June 2009 data. Staff is not recommending
15 improved service for VCA residence customers, simply that service not get worse.

16
17 To recognize Frontier's concerns with the 18-month period, the longest common period
18 reported, Staff is willing to base its condition on the most current, common period of data,
19 June 2009. The June 2009 VCA answer time was 48 seconds; the June 2009 Frontier
20 answer time was 228 seconds. Nonetheless, this directly addresses Frontier's concern
21 about using data that it believes is too old. The 18-month period figures were 69.1
22 seconds for VCA and 189.5 seconds for Frontier. The change to Condition 3, however,
23 will result in a standard 30 percent lower than the one originally recommended by Staff in
24 its Direct Testimony.

25

⁴ The highest monthly response time in the data provide to Staff is 323 seconds, approximately 6.5 minutes, for April 2008

1 **Q. Does Frontier have issues with Condition 4?**

2 A. Yes. Frontier expresses two concerns – (1) that Staff’s recommendation is not clear about
3 the types of orders and (2) that the California or Nevada Commissions have not
4 historically required similarly conditions.

5
6 **Q. What is Staff’s response to Frontier’s testimony specific to Condition 4?**

7 A. To the first Frontier concern, Staff responds that the requirements of Condition 4 are self-
8 evident. The practical equivalent of “any order” related to this matter should be
9 understood to mean “all orders” that impact NewILEC.

10

11 To the second Frontier concern, Staff responds that the California and Nevada
12 Commissions are free to consider conditions of their choosing, as is Arizona. Frontier is
13 choosing to organize itself in a multi-state manner that, which left unchecked, could result
14 in the orders of one Commission unintentionally impacting another Commission. Only by
15 being fully aware of Frontier’s multi-state regulatory environment can the Arizona
16 Commission take actions in the interest of Arizona local exchange customers in the
17 timeliest manner possible. The mere reference by Frontier to historical actions by
18 California and Nevada, helps illustrate the reason that Staff recommends Condition 4.
19 Arizona should be cautious and should be concerned that Frontier’s Arizona VCA
20 properties, though much smaller in access lines, be given equitable management and
21 operating treatment as the properties Frontier is acquiring in California and Nevada.

22 Finally, Staff notes that Frontier has not, in any way, suggested that the simple actions
23 needed to copy and file orders, as needed to comply with Condition 4, are costly or
24 burdensome. Staff sees no reason to change its position regarding Condition 4.

1 **Q. Does Frontier have issues with Condition 5?**

2 A. Yes. Frontier states that the basis for the recommendation is unclear. Frontier believes
3 that, whatever Staff's concerns may be, they will no longer exist after the closing of the
4 proposed transaction.

5
6 **Q. What is Staff's response to Frontier's testimony specific to Condition 5?**

7 A. First, Staff must correct Frontier's restatement of Condition 5. No reference is made in
8 Staff Condition 5 regarding a five-year period. Second, Staff re-emphasizes its earlier
9 testimony – the need for this Commission to be cautious about the equitable management
10 and operating treatment of Frontier's AZ VCA properties compared to those in California
11 and Nevada.

12
13 Frontier has not demonstrated that compliance with Condition 5 may be costly or
14 burdensome. Staff sees no reason to change its position regarding Condition 5.

15
16 **Q. Does Frontier have issues with Condition 6?**

17 A. Yes. Frontier states that the recommendation is based on unsupported concerns. Thus,
18 there is no basis to impose Staff Condition No. 6 on Frontier's three (Arizona) ILECs.

19
20 **Q. What is Staff's response to Frontier's testimony specific to Condition 6?**

21 A. First, Staff corrects Frontier's restatement of Condition 6. No reference is made in Staff'
22 Condition 6 regarding an "18 month period of January 2008 through July 2009". Rather
23 Staff's Condition 6 simply states "the period of January 2008 through June 2009".

24
25 Second, Staff earlier emphasized the need to be cautious about the equitable management
26 and operating treatment of Frontier's AZ VCA properties compared to those in California

1 and Nevada. A related concern is the equitable management and operating treatment of
2 Frontier's AZ VCA properties compared to Frontier's three AZ ILECs. As Staff pointed-
3 out in its direct testimony⁵, Frontier stated that "*Current Frontier management is expected*
4 *to manage and control the day-to-day operations of Frontier and its operating subsidiaries,*
5 *including the assets transferred to it through the transaction proposed here in addition to*
6 *Frontier's existing Arizona operations". (emphasis added) This raised the concern that*
7 *management and operating shifts and rebalancing, even if unintended , could occur*
8 *between Frontier's AZ VCA properties and Frontier's existing, three ILECs. Staff is*
9 *unaware of any plan to increase in Frontier's management or operating resources.*
10 *Frontier simply states "The operation and service of these additional lines (VCA areas*
11 *within AZ) is not going to put a significant managerial or resource constraint on*
12 *Frontier".⁶*

13
14 Finally, Frontier has not demonstrated that compliance with Condition 6 may be costly or
15 burdensome. Staff sees no reason to change its position regarding Condition 6.
16

17 **Q. Does Frontier have issues with Condition 7?**

18 A. Yes. Frontier believes that Staff has not identified concerns about the volume of
19 complaints involving Frontier's three Arizona ILECs and there is no justifiable reason to
20 impose a condition in a situation where there is no "harm" to remedy.
21

22 **Q. What is Staff's response to Frontier's testimony specific to Condition 7?**

23 A. Staff has given this condition additional consideration and believes that Frontier's
24 compliance with Staff's other conditions should lead to satisfactory results regarding
25 customer complaints. Staff believes Condition 7 is no longer appropriate.

⁵ Pages 26 - 27

⁶ Rebuttal Testimony Of Daniel McCarthy on Behalf of Verizon, October 5, 2009, page 13

1 **Q. Does Frontier have issues with Condition 9?**

2 A. Yes. Frontier believes that this condition is unnecessary and could have adverse
3 unintended consequences. Frontier believes that to require an investment level in the
4 VCA operations at a "total investment level" of the other Frontier Arizona ILEC
5 properties, without actually evaluating and implementing the most sound investment
6 decisions in Arizona, is unwise at best, and may, in fact, be detrimental to the overall
7 functioning of Frontier's operations in Arizona.

8
9 **Q. What is Staff's response to Frontier's testimony specific to Condition 9?**

10 A. In recommending that VCA's 2009 access line investment as a more appropriate
11 comparison, Staff specifically requested such information⁷. However the information was
12 not provided until October 8, 2009. Even then, Staff did not receive the requested five-
13 year forecast. That is Staff's concern. The Applicants have asked for expedited treatment
14 of this application so that Frontier can apply for Stimulus funds to benefit broadband
15 services, however, such funds would not benefit local exchange services⁸. Almost no
16 information has been provided to indicate how local exchange services will benefit.
17 Staff's Condition 9 is intended to ensure that Frontier's NewILEC continues to invest in
18 local exchange services. Frontier's three Arizona ILECs serve rural areas as does VCA in
19 Arizona. Absent projected local exchange investment data for the VCA area, such as the
20 five-year forecast that Staff requested, Staff believes that a condition that compares the
21 levels of investment across all of Frontier's ILECs is reasonable.

⁷ STF 1.53

⁸ Direct Testimony Of Armando Fimbres on Behalf of Commission Staff, September 21, 2009, page 13

1 **Q. Does Frontier have issues with Condition 12?**

2 A. Yes. Frontier's position is consistent with that of Verizon. Frontier does not believe there
3 is any benefit, nor should it be a condition, that the Applicants provide a "final count"
4 before the Commission issues an order approving the proposed transaction.

5
6 **Q. What is Staff's response to Frontier's testimony specific to Condition 12?**

7 A. Staff's earlier response to Mr. McCallion's Rebuttal Testimony regarding Condition 12
8 addresses the Rebuttal Testimony of both parties.

9
10 **Q. Does Frontier have issues with Conditions 13 and 14?**

11 A. Yes. Regarding Condition 13, Frontier believes that seeking an advance notice
12 requirement with respect to employees may create management and employee issues.
13 Regarding Condition 14, Frontier is concerned that the requirement appears to be
14 indefinite in duration in that it will remain in place until "Frontier informs the
15 Commission by filing an affidavit with Docket Control that the transfer related activities
16 are completed."

17
18 **Q. What is Staff's response to Frontier's testimony specific to Conditions 13 and 14?**

19 A. These conditions are nearly identical, if not identical, to conditions imposed by the
20 Commission in other cases involving acquisitions/mergers⁹ that were similar to the

⁹ Decision No. 68865, 7/28/06, In the matter of the application of AT&T Inc. for approval of a reorganization Pursuant to A.A.C. R14-2-803 or, alternatively, for a limited waiver of the Commission's Affiliated Interest Rules; Decision No. 68269, 11/8/05, In the matter of the joint application of SBC Communications, Inc., AT&T Corp and their Arizona subsidiaries: SBC Long Distance, Inc., SBC Telecom, Inc., Snet America, Inc. dba SBC Long Distance East, AT&T Communications of the Mountain States, Inc., TCG Phoenix, TCG Payphones, Inc., ACC National Long Distance Corp. dba Vista International Communications Notice of Intent concerning the proposed merger of SBC Communications and AT&T Corp.; Decision No. 68348, 12/9/05, In the matter of the application of Verizon California Inc., Verizon Select Services Inc, OnePoint Communications - Colorado, L.L.C. dba Verizon Avenue, Bell Atlantic Communications, Inc. dba Verizon Long Distance, NYNEX Long Distance Company dba Verizon

1 proposed transfer in this matter. Staff is not aware of any negative consequences that have
2 resulted from these conditions in other transactions.

3
4 **Q. Does Frontier's Rebuttal Testimony respond to any other areas of Staff's Direct**
5 **Testimony?**

6 A. Yes. Frontier addresses the recommendation that employees impacted by the transfer
7 "should not have their compensation or benefits reduced for a period of two years
8 following the effective date of a Commission order in this manner."

9
10 **Q. What is Staff's response?**

11 A. This is the same employee recommendation addressed by Verizon to which Staff
12 responded earlier in this testimony. Staff clarified earlier in this testimony that the
13 recommendation was not stated as a condition for approval of the proposed transaction
14

15 **SUMMARY AND CONCLUSIONS**

16 **Q. Does Staff have any modifications to the recommendations included in its September**
17 **21, 2009 testimony?**

18 A. Yes. Staff recommends the following, modified Conditions:

19
20 3. That NewILEC maintain the Average Answer Time for the Residential Service
21 Order Call Center response of VCA for June 2009 (48 seconds) for the five years
22 following the effective date of an Order in this matter. Evidence of such should be
23 provided annually by April 15th of each year for the prior year.

24
25 12. That the Applicants stipulate that the number of VCA employees impacted by the
26 proposed transfer will not exceed twenty-two (22) before an Order is issued in this

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matter; and, that a final count of employees along with a comprehensive explanation of the compensation and benefit treatment of impacted employees are provided within 60 days of the transaction's consummation.

Staff no longer recommends Condition 7.

Q. What is Staff's position regarding Conditions 1 - 2, 4 - 6, 8 - 11, and 13 - 15?

A. Staff's recommendations regarding those conditions remain unchanged.

1. That NewILEC assume or honor all obligations under VCA's current interconnection agreements, tariffs, and other existing contractual arrangements of VCA.
2. At the conclusion of all pending dockets, that NewILEC comply with all previous Commission orders and all future Commission Orders.
4. That NewLEC will file in this Docket with the Arizona Commission any California or Nevada Commission Order related to this matter that bears on Frontier's management and operations located in Arizona within 30 days of its issuance.
5. That NewILEC, in an annual compliance filing due by April 15th of each year, provide monthly comparative service quality and operating information to ensure that the Frontier Arizona VCA local exchange areas are served comparably to the Frontier California VCA local exchange areas that Frontier has acquired in transactions related to this matter.

- 1 6. That for the five years following the effective date of an Order in this matter,
2 Frontier's three Arizona ILECs not allow their monthly service quality and operating
3 performance to decline below their average monthly performance for the period of
4 January 2008 to June 2009. Evidence of such should be provided annually by April
5 15th of each year for the prior year.
- 6
- 7 8. That the existing rate moratorium for the VCA service territory remain in effect until
8 the December 9, 2010 expiration date, as ordered by Decision No. 68348.
- 9
- 10 9. That NewILEC commit to local exchange investment levels on a per access line
11 basis that at least equals the average investment per access line of its three Frontier
12 Arizona ILECs for the five years following the effective date of an Order in this
13 matter.
- 14
- 15 10. That Frontier report to the Commission (1) the number of VoIP lines served by any
16 Frontier affiliate within the NewILEC service area and by Frontier's three Arizona
17 ILECs by April 15th of each year and (2) that Frontier attest that the Arizona State
18 assessments¹⁰ for VoIP services provided by any Frontier affiliate or ILEC have been
19 properly paid. Such attestation should be made as an addendum to Frontier's Annual
20 Report due by April 15th of each year for the prior year.
- 21
- 22 11. That Verizon attest that Arizona state assessments for any VoIP services provided by
23 Verizon affiliates in Arizona have been properly paid. Such attestation should be
24 made by all Verizon affiliates holding CC&Ns in Arizona as an addendum to Annual
25 Reports due by April 15th of each year.

¹⁰ Utility Fund, 911/E911, Telephone Relay Service ("TRS")

1 13. That for one year following the close of the proposed transfer or until Verizon and
2 Frontier inform the Commission by filing an affidavit with Docket Control, as a
3 compliance item in this Docket, that the proposed transaction activities are
4 completed, Frontier shall provide written notification with a filing in Docket Control
5 and to the individual members of the Commission 60 days prior to any planned
6 transfer-related Arizona workforce layoffs; any planned transfer-related Arizona
7 plant closings; and any planned transfer-related Arizona facility closings.

8
9 14. That if any Frontier Arizona affiliate chooses to conduct layoffs or facility closings
10 in Arizona that are attributable to the proposed transfer, it shall file a report, within
11 two months of the effective date of the layoffs or closings, with the Commission
12 stating why it was necessary to do so and what efforts the Company made or is
13 making to re-deploy those individuals elsewhere in the Company. This report shall
14 also state whether any savings associated with facility closings have been re-invested
15 in the Company's Arizona operations, and if not, why. This report shall be filed for
16 one year following close of the proposed transfer or until Frontier informs the
17 Commission by filing an affidavit with Docket Control that transfer related activities
18 are completed, whichever comes last.

19
20 15. That within 60 days of the transaction's consummation, Frontier and Verizon notify
21 the Commission of such closing.

22
23 **Q. Does this conclude your direct testimony?**

24 A. Yes, it does.

1 **ATTACHMENT 1**

2
3 **STAFF's DIRECT TESTIMONY CONDITIONS**

- 4
- 5 1. That NewILEC assume or honor all obligations under VCA's current interconnection
6 agreements, tariffs, and other existing contractual arrangements of VCA.
7
 - 8 2. At the conclusion of all pending dockets, that NewILEC comply with all previous
9 *Commission orders and all future Commission Orders.*
 - 10
11 3. That NewILEC maintain the Average Answer Time for the Residential Service Order
12 Call Center response of VCA from January 2008 to June 2009 (69.1 seconds) for the
13 five years following the effective date of an Order in this matter. Evidence of such
14 should be provided annually by April 15th of each year for the prior year.
15
 - 16 4. That NewILEC will file in this Docket with the Arizona Commission any California or
17 Nevada Commission Order related to this matter that bears on Frontier's management
18 and operations located in Arizona within 30 days of its issuance.
19
 - 20 5. That NewILEC in an annual compliance filing due by April 15th of each year, provide
21 monthly comparative service quality and operating information to ensure that the
22 Frontier Arizona VCA local exchange areas are served comparably to the Frontier
23 California VCA local exchange areas that Frontier has acquired in transactions related
24 to this matter.
25
 - 26 6. That for the five years following the effective date of an Order in this matter,
27 Frontier's three Arizona ILECs not allow their monthly service quality and operating
28 performance to decline below their average monthly performance for the period of
29 January 2008 to June 2009. Evidence of such should be provided annually by April
30 15th of each year for the prior year.
31
 - 32 7. That the annual ratio of NewILEC complaints to access lines remain the same as the
33 annual ratios of VCA for the 2006 through 2008 period. Evidence of such should be
34 provided annually by April 15th of each year for the prior year.
35
 - 36 8. That the existing rate moratorium for the VCA service territory remain in effect until
37 the December 9, 2010 expiration date, as ordered by Decision No. 68348.
38
 - 39 9. That NewILEC commit to local exchange investment levels on a per access line basis
40 that at least equals the average investment per access line of its three Frontier Arizona
41 ILECs for the five years following the effective date of an Order in this matter.
42
 - 43 10. That Frontier report to the Commission (1) the number of VoIP lines served by any
44 Frontier affiliate within the NewILEC service area and by Frontier's three Arizona
45 ILECs by April 15th of each year and (2) that Frontier attest that the Arizona State

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assessments¹¹ for VoIP services provided by any Frontier affiliate or ILEC have been properly paid. Such attestation should be made as an addendum to Frontier's Annual Reports due by April 15th of each year for the prior year.

11. That Verizon attest that Arizona state assessments for any VoIP services provided by Verizon affiliates in Arizona have been properly paid. Such attestation should be made by all Verizon affiliates holding CC&Ns in Arizona as an addendum to Annual Reports due by April 15th of each year.
12. That the Applicants provide a final count of employees impacted by the proposed transfer and comprehensive explanation of the treatment of such employees before an Order is issued in this matter.
13. That for one year following the close of the proposed transfer or until Verizon and Frontier inform the Commission by filing an affidavit with Docket Control, as a compliance item in this Docket, that the proposed transaction activities are completed, Frontier shall provide written notification with a filing in Docket Control and to the individual members of the Commission 60 days prior to any planned transfer-related Arizona workforce layoffs; any planned transfer-related Arizona plant closings; and any planned transfer-related Arizona facility closings.
14. That if any Frontier Arizona affiliate chooses to conduct layoffs or facility closings in Arizona that are attributable to the proposed transfer, it shall file a report, within two months of the effective date of the layoffs or closings, with the Commission stating why it was necessary to do so and what efforts the Company made or is making to re-deploy those individuals elsewhere in the Company. This report shall also state whether any savings associated with facility closings have been re-invested in the Company's Arizona operations, and if not, why. This report shall be filed for one year following close of the proposed transfer or until Frontier informs the Commission by filing an affidavit with Docket Control that transfer related activities are completed, whichever comes last.
15. That within 60 days of the transaction's consummation, Frontier and Verizon notify the Commission of such closing.

¹¹ Utility Fund, 911/E911, Telephone Relay Service ("TRS")