



0000105654

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

<p>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</p>	<p>DOCKET NOS. T-01846B-09-0274 T-03289A-09-0274 T-03198A-09-0274 T-20679A-09-0274 T-20680A-09-0274 T-20681A-09-0274</p> <p>NOTICE OF FILING SUPPLEMENTAL INFORMATION</p>
--	--

At the October 26, 2009, hearing in the above-captioned matter, Frontier Communications Corporation ("Frontier") agreed to file in the docket the orders of other state commissions in connection with the transfer of assets. Frontier hereby submits the following orders:

- 10/29/09 Order of the Public Service Commission of South Carolina
- 10/29/09 Decision of the Public Utilities Commission of California
- 11/16/09 Order of the Public Utilities Commission of Nevada

...
...
...

Arizona Corporation Commission
DOCKETED

DEC - 2 2009

DOCKETED BY

RECEIVED
2009 DEC - 2 A 9 41
AZ CORP COMMISSION
DOCKET CONTROL

Snell & Wilmer
LLP
LAW OFFICES
One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2202
(602) 382-6000

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

51

1 RESPECTFULLY SUBMITTED this 2nd day of December, 2009.

2 SNELL & WILMER

3
4 

5 Jeffrey W. Crockett
6 One Arizona Center
7 Phoenix, Arizona 85004-2202
8 Attorneys for Frontier Communications
9 Corporation

10 ORIGINAL and thirteen (13) copies
11 of the foregoing filed this 2nd day of
12 December, 2009, with:

13 Docket Control
14 ARIZONA CORPORATION COMMISSION
15 1200 West Washington Street
16 Phoenix, Arizona 85007

17 A COPY of the foregoing hand-delivered
18 this 2nd day of December, 2009, to:

19 Belinda A. Martin, Administrative Law Judge
20 Hearing Division
21 ARIZONA CORPORATION COMMISSION
22 1200 West Washington Street
23 Phoenix, Arizona 85007

24 Maureen Scott, Attorney
25 Legal Division
26 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Snell & Wilmer

LLP

LAW OFFICES
One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2202
(602) 382-6000

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

Steve Olea, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

A COPY of the foregoing mailed
this 2nd day of December, 2009, to:

Michael T. Hallam
LEWIS AND ROCA
40 N. Central Avenue, Suite 1900
Phoenix, Arizona 85004

Gina Ball

10943341.1

Decision 09-10-056 October 29, 2009

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Joint Application of Frontier Communications Corporation, New Communications Holdings, Inc., New Communications ILEC Holdings, Inc., New Communications of the Southwest Inc., Verizon West Coast Inc. (U1020C), Verizon California Inc. (U1002C), New Communications Online and Long Distance, Inc., Verizon Long Distance, LLC (U5732C) and Verizon Enterprise Solutions, LLC (U5658C) For Approval of the Sale of Assets, Transfer of Certificates and Customer Bases, and Issuance of Additional Certificates.

Application 09-06-005
(Filed June 4, 2009)

**DECISION GRANTING THE JOINT APPLICATION OF
FRONTIER AND VERIZON**

1. Summary

This decision approves the transfer of 13 California telephone exchanges from Verizon Communications Inc. and its subsidiaries to Frontier Communications Corporation and its subsidiaries. The decision approves a settlement between the telephone companies and the Division of Ratepayer Advocates and The Utility Reform Network, which protects the public from rate increases and service deterioration for a period of one year.

2. The Transaction

Frontier Communications Corporation ("Frontier"), New Communications Holdings, Inc. ("NCH"), New Communications ILEC Holdings, Inc. ("NCIH"), New Communications of the Southwest Inc. ("NewILEC"), Verizon West Coast Inc. ("Verizon West Coast"), Verizon California Inc. ("Verizon California"),

New Communications Online and Long Distance, Inc. ("NewLD"), Verizon Long Distance, LLC ("VLD"), and Verizon Enterprise Solutions, LLC ("VES"), seek approval of the transfer of a portion of Verizon Communications Inc. ("Verizon") local exchange and long distance business in California to companies to be owned and controlled by Frontier and for such other approvals as may be deemed necessary to complete this transaction.

This application concerns a small part of a multi-state transaction in which Verizon proposes to transfer its operating companies in a number of states to Frontier. Frontier and its operating companies in those states have significant experience in serving rural areas, including California. Frontier asserts that the transfer will enhance its local presence in the communities it serves and will provide enhanced services. The proposed transaction will also bolster Frontier's financial strength and enable it to expand broadband and other service offerings.

In California, the transaction involves property in 13 exchanges. Six exchanges comprise the entire serving territory of Verizon West Coast, a wholly owned subsidiary of Verizon Northwest Inc. ("Verizon Northwest"), the operating company serving Oregon, Washington, and Idaho, which will also be transferred to Frontier. Another seven Verizon California exchanges are being transferred to Frontier; these border Arizona and Nevada, and are contiguous to the Verizon California properties in those states that are also being transferred. Also, certain long distance customers in those 13 exchanges, currently served by Verizon affiliates, will be transferred to Frontier entities. Upon closing, Frontier will own and control both the Verizon assets transferred to it as part of this transaction as well as its existing operations in California.

Frontier is a corporation organized under the laws of Delaware and is a publicly traded holding company. Frontier is a full-service communications

provider and is one of the largest rural local telephone exchange companies in the country. Frontier offers telephone, television, and Internet services, as well as bundled offerings, wireless Internet data access, data security solutions, and specialized bundles for small/medium/large businesses and home offices to customers in 24 states. In 2008, Frontier's revenue was \$2.2 billion, with a net income of \$182.7 million. The company has approximately 5,600 employees and serves a total of 2.8 million voice and broadband connections, including 2.3 million access lines.

Frontier does not conduct business directly in California but owns and controls one local exchange carrier in California, Citizens Telecommunications Company of California, Inc. doing business as Frontier Communications of California (U1024C) ("Frontier California"). Frontier's subsidiary, Frontier Communications of America, Inc., is a reseller of interexchange service in California.

Verizon West Coast holds a Certificate of Public Convenience and Necessity ("CPCN") to provide local exchange services in six exchanges¹ in the northwest corner of California in Del Norte and Humboldt Counties. Verizon West Coast has approximately 13,000 access lines in its territory. Verizon West Coast is a direct, wholly owned subsidiary of Verizon Northwest which provides local exchange service in Washington, Oregon, and Idaho, and is an indirect, wholly owned subsidiary of Verizon.

¹ These exchanges are: Crescent City, Klamath, Smith River, Hiouchi, and Gasquet in Del Norte County and Orick in Humboldt County.

Verizon California holds a CPCN to provide local exchange services in California,² primarily in southern California, and has approximately 3.4 million access lines in its territory, only a very small portion of which - approximately 11,000 access lines - is being transferred to Frontier. Verizon California is an indirect, wholly owned subsidiary of Verizon.

VLD holds a CPCN to provide inter Local Access and Transport Area ("LATA") and intraLATA resold telecommunications services (excluding local exchange services) in California pursuant to Decision (D.) 97-02-011. VLD is an indirect, wholly owned subsidiary of Verizon.

VES holds a CPCN to provide interLATA and intraLATA resold telecommunications services (excluding local exchange services) in California pursuant to D.96-09-004. VES is an indirect, wholly owned subsidiary of Verizon.

NCH, NCIH, NewILEC, and NewLD are Delaware corporations formed for the purposes of the series of internal reorganizations and transactions described in this application.

On May 13, 2009, Frontier, Verizon, and NCH entered into an Agreement and Plan of Merger ("Merger Agreement") under which Frontier will acquire approximately 4.8 million access lines (and certain related assets) currently owned by subsidiaries of Verizon in Arizona, Idaho, Illinois, Indiana, Michigan, Nevada, North Carolina, Ohio, Oregon, South Carolina, Washington, Wisconsin, and West Virginia as well as portions of California bordering Arizona, Nevada,

² Verizon California is also authorized to provide local exchange service in portions of Arizona and Nevada contiguous to California, and serves approximately 6,000 customers in Arizona and 36,000 customers in Nevada.

and Oregon.³ The Merger Agreement filed with the Securities and Exchange Commission ("SEC") is attached as Exhibit 1 to the application. On the same date, Verizon and NCH entered into a Distribution Agreement. A copy of the Distribution Agreement filed with the SEC is attached as Exhibit 2 to the application.

The Merger Agreement and the Distribution Agreement are designed to:

- (a) establish a separate entity (i.e., NCH) as the holding company for Verizon's local exchange, long distance, and related business activities in the acquired areas described above;
- (b) spin-off the stock of that new entity to Verizon shareholders;
- and then (c) immediately merge the new entity into Frontier.

The transaction will be completed through several steps:

- (1) NCH will serve as the holding company for the local exchange, long distance, and related businesses in California and the other affected states that are being transferred to Frontier. NCH currently is a subsidiary of Verizon; after the transactions described below, it will be merged into Frontier. Frontier will be the surviving entity, and will then own and control the Verizon assets being transferred to it through the transaction at issue here as well as its current properties in the state.

³ Because Verizon California is only transferring a few border exchanges in California to Frontier, its circumstances differ from those that exist in other states that are part of this transaction.

- (2) NCH has two newly formed subsidiaries: (a) NCIH, which will own the stock of NewILEC, Verizon West Coast, and the other operating Incumbent Local Exchange Carriers ("ILECs") in the affected states; and (b) NewLD, which will hold the accounts receivables and customer relationships related to the long distance operations (and other operations) in California and the other affected states.
- (3) Through a series of intra-corporate stock transfers, Verizon will transfer (or cause to be transferred) the stock of NewILEC, Verizon West Coast and the other affected ILECs to NCIH.⁴ Similarly, VLD and VES will transfer their accounts receivables and customer relationships related to their long distance operations in California and the other affected states to NewLD.
- (4) The stock of NCH will then be distributed to Verizon shareholders - that is, NCH will be "spun off" from Verizon to Verizon's shareholders so that NCH and Verizon will be separate corporations. Immediately following this spin-off, NCH will be merged into Frontier, and Frontier will be the surviving holding company, operating under its existing name and corporate structure, but also owning all of the stock of NCH's subsidiaries, NCIH and NewLD. Once the merger is completed, NCH will cease to exist; thus, NCIH and NewLD will be direct subsidiaries of Frontier, and NewILEC will be an indirect subsidiary through NCIH.

⁴ The assets and business to be transferred to NCIH (as well as the assets and business that are not being transferred) are more fully described in the Distribution Agreement between Verizon and NCH.

As noted above, Frontier will acquire Verizon West Coast in its entirety, but will acquire only a small portion of Verizon California's territory near the Arizona and Nevada borders.⁵ Accordingly, prior to the spin-off of NCH and its merger into Frontier, Verizon California will transfer its assets, liabilities, and customer relationships in seven exchanges (five bordering Arizona and two bordering Nevada) relating to its local exchange, intrastate toll, and exchange access operations along the Arizona and Nevada borders to NewILEC.⁶ Verizon California also will transfer the stock of NewILEC to NCIH through a series of intermediate transfers, such that NewILEC will become a direct, wholly owned subsidiary of NCIH and an indirect, wholly owned subsidiary of NCH. In this way, after the merger, Frontier Communications will be the ultimate parent of Verizon West Coast and NewILEC. (Verizon West Coast will be renamed, because Frontier will not operate under the Verizon name in any state. For purposes of this application, however, the name "Verizon West Coast" is used in describing the pre- and post-transaction structures.) The corporate structure and transaction as it relates to California and the other affected states are illustrated in Exhibit 3 to the application.

In order to provide service to existing customers and new customers, NewILEC and NewLD are required to obtain CPCNs from this Commission.

⁵ The exchanges to be transferred are: (1) Adjacent to Nevada: Alpine (Alpine Co.) and Coleville (Mono Co.); (2) Adjacent to Arizona: Earp Big River, Havasu Landing, and Parker Dam (San Bernardino Co.), Blythe (Riverside Co.), and Palo Verde (Imperial Co.).

⁶ Verizon California also operates in Arizona and Nevada, and will transfer its assets in those states to NewILEC as well, because these operations are included in the transaction.

NewILEC and NewLD seek the required CPCNs as part of this transfer application because NewILEC will be acquiring operating telephone exchanges and NewLD will likewise be acquiring existing customers and operations. NewILEC will assume any existing Verizon California wholesale obligations, including contracts, to California wholesale customers and to other carriers to the extent applicable, and Verizon West Coast will retain its existing obligations, if any. Upon completion of the transaction, Frontier may elect to change the names of these entities; if so, it will make the necessary filings.

No change of control will occur with respect to Frontier's existing operating entities in California, including Frontier California and Frontier Communications of America, Inc., or with respect to any entity holding a controlling interest in them, because the control of these companies will remain with Frontier. At the completion of the transaction, Frontier will own and control three incumbent local exchange companies in California: Frontier California, Verizon West Coast, and NewILEC. In addition, Frontier will own and control two long distance companies: Frontier Communications of America, Inc. and NewLD.

Frontier Communications is a Delaware corporation with its principal place of business in Stamford, Connecticut. Verizon West Coast and Verizon California are California corporations with their principal place of business in Thousand Oaks, California. VLD and VES are Delaware corporations with their principal places of business in Arlington, Virginia. NCH, NCIH, NewILEC, and NewLD are Delaware corporations formed for the purposes of the series of internal reorganizations and transactions described in this application.

At the completion of the transaction, Verizon West Coast will continue to operate as a stand-alone company in California (subject to being renamed), and

will become a direct, wholly owned subsidiary of NCIH and an indirect, wholly owned subsidiary of NCH. Verizon West Coast, therefore, requests that its CPCN be transferred accordingly.

The seven Verizon California exchanges along the Arizona and Nevada borders will no longer be operated as part of Verizon California but will be transferred to NewILEC, a newly-formed corporation which will operate in California as well as Arizona and Nevada (just as Verizon California does today). Accordingly, NewILEC requests a new CPCN from the Commission to permit it to operate those California exchanges transferred from Verizon California on the same terms. Verizon California will continue to operate in California, minus the seven exchanges adjacent to the Arizona and Nevada borders that it has transferred to NewILEC.

NewLD requests a CPCN to provide interLATA and intraLATA resold telecommunications services (except local exchange services). This will enable NewLD to conduct the long distance business transferred to it by VLD and VES. VLD and VES will continue to provide some long distance telecommunications services in California, and, therefore, will maintain their CPCNs. In accordance with applicable Commission precedent as set forth in D.06-10-021 and prior decisions, slamming requirements do not apply to customer base transfers such as this. The parties will comply with all applicable customer notice requirements set forth in 47 C.F.R. Section 64.1120(e), Pub. Util. Code § 2889.3, and D.06-10-021.

NewILEC requests that the Commission allow it to adopt the prices, terms, and conditions of Verizon California with respect to the transferred exchanges, and NewLD requests that the Commission allow it to adopt the prices, terms, and conditions of VLD and VES. NewILEC also requests that it be designated an Eligible Telecommunications Carrier ("ETC") under 47 U.S.C. Section 214.

Verizon California is currently an ETC with respect to the wire centers being acquired by NewILEC, and this ETC status should be transferred to NewILEC when it assumes control of the facilities. NewILEC will provide the same services as Verizon California after the proposed transaction closes. Like Verizon's current services, NewILEC's services contain each of the service elements necessary for ETC designation, including each of those in 47 U.S.C. Section 214(e). To obtain ETC designation in California, once the transaction closes NewILEC must file an advice letter in conformance with General Order 96-B and in compliance with the ETC designation rules contained in Resolution T-17002. Like Verizon, NewILEC must comply with each of the ongoing compliance requirements for ETCs under California Public Utilities Commission Resolution T-17002. NewILEC requests the Commission grant it the same ETC status that Verizon California possessed prior to the acquisition.

In a nutshell, Applicants request: (1) transfer of Verizon West Coast's CPCN to NCIH; (2) a new CPCN for NewILEC for local exchange service to allow it to operate the seven former Verizon California exchanges along the Arizona and Nevada borders under the same terms; (3) NewILEC adoption of the prices, terms, and conditions of Verizon California for the transferred exchanges; (4) NewILEC designation as an ETC and transfer of existing Verizon California status as such in the affected exchanges; (5) a new CPCN for NewLD to provide interLATA and intraLATA resold telecommunications services (except local exchange services); and (6) transfer of the long distance customers in the affected exchanges from VLD and VES to NewLD.

3. The Protests

The Division of Ratepayer Advocates ("DRA") and The Utility Reform Network ("TURN") protested the application. DRA alleges that Verizon and

Frontier predict improved customer practices after the merger, yet they have made no commitments or provided any evidence to support their claims. DRA asserts that the application should be supplemented to include specific commitments with regard to rate and service quality protections for the affected customers. TURN is similarly concerned about the vagueness of consumer protections in the application. TURN seeks to determine the appropriate level of California - specific merger savings and the appropriate allocation of those savings; whether the proposed merger will harm service quality for California consumers impacted by the proposed transaction and if so what conditions are necessary to mitigate any harmful effects; and whether the proposed merger will have a negative or positive impact on state and local economies.

4. The Settlement

Frontier and Verizon filed their reply to the protests of DRA and TURN, after which the parties discussed a resolution of the issues raised by the protests that would be in the public interest. A formal Settlement Conference was noticed in accordance with this Commission's Rules of Practice and Procedure for August 12, 2009 with all interested parties participating. In the conference a settlement document was developed along with a Joint Motion for Adoption of the Settlement.

The Settlement Agreement (Appendix A) reached by the parties is comprehensive and the parties submit that it is both reasonable and in the public interest. They request that the Commission adopt the Settlement Agreement. The key terms and assumptions in support of the Settlement Agreement are:

- (1) **Basic Residential Service Rate Caps.** For one year following closing of the proposed transaction, the basic primary residential rate for each of the Verizon California Transferred Exchanges will be capped at their current

levels as of the date of the closing of this transaction. Thereafter, the parties agree that those exchanges will be subject to applicable Commission orders governing services for Uniform Regulatory Framework ("URF") companies.

- (2) **Rates for Other Services.** For one year following closing of the proposed transaction, the rate for the following services for the Verizon California Transferred Exchanges 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. Thereafter, the parties agree that those exchanges will be subject to applicable Commission orders governing services for URF companies.
- (3) **Exogenous Events.** Notwithstanding the limitations included in paragraphs one and two, Frontier Communications of the Southwest will be permitted to request reasonable recovery for the impact of exogenous events that materially impact the operations of the Verizon California Transferred Exchanges, including but not limited to, orders of the Federal Communications Commission and this Commission. Nothing herein shall prevent a party from opposing such a request on the grounds of reasonableness. Frontier Communications of the Southwest may apply to the Commission to modify the rates of the exchanges to which paragraphs one and two are applicable. Nothing herein shall be construed to prevent any party from taking a position with respect to the appropriate service rates, if any, which should apply to the affected exchanges, after the dates specified in paragraph one or two above.
- (4) **Service Quality Reporting.** For a period of 12 months after the closing of the proposed Transaction, or until December 31, 2011, whichever date is later, Citizens Telecommunications Company of California d/b/a Frontier Communications of California, with respect to

existing exchanges and Frontier Communications of the Southwest with respect to the Verizon California Transferred Exchanges will file separate reports with the Commission concerning installation intervals for their respective exchanges, notwithstanding any exemption from reporting contained in General Order 133-C for URF companies.

5. Discussion

Pursuant to Rule 12.1(d) of the Commission's Rules of Practice and Procedure, settlements must be reasonable in light of the record, consistent with law, and in the public interest. The Settlement Agreement satisfies each of those criteria.

- (1) **The Proposed Settlement is Reasonable in Light of the Record.** The parties have developed a factual record contained in the application, the transcript of the prehearing conference, Applicants' amendment to their application, and the joint statement of facts agreed to in the Settlement Agreement. Applicants have responded to DRA's and TURN's factual concerns raised in their protests.
- (2) **The Proposed Settlement is Consistent with Law and Precedent.** The parties assert that the Settlement Agreement is consistent with existing law. The parties are unaware of any conflict with any provisions of law or any decision of the Commission. We find that Applicants have provided sufficient information to satisfy Commission rules and precedent, and have demonstrated that the settlement is in the public interest and consistent with the law including § 854(b) and (c).
- (3) **The Proposed Settlement is in the Public Interest.** The Settlement Agreement is in the public interest because its provisions provide added assurance that the public interest standard of § 854 is satisfied. There is a residential rate cap for one year as well as rate caps for

specific services. The settlement is fair and reasonable in light of the whole record, and should be adopted.

Immediately following the completion of the transaction, Verizon's end-user customers in the 13 transferred exchanges will continue to receive substantially the same services, service rates, and service terms and conditions as immediately prior to the transaction. NewILEC and NewLD will file new tariffs appropriate to adopt the rates, terms, and conditions in the tariffs under which the Verizon companies have been operating in California. The Commission will retain the same regulatory authority over Verizon West Coast, NewILEC, and NewLD that the Commission possesses prior to the consummation of the transaction.

Pub. Util. Code § 851 provides in pertinent part that "No public utility ... shall sell, lease, assign, mortgage, or otherwise dispose of or encumber the whole or any part of its ... system, ... nor ... merge or consolidate its ... system ... or franchises or permits or any part thereof, with any other public utility, without first having secured from the commission an order authorizing it so to do."

In addition, when the sale of an entire company is proposed, as is the case with Verizon West Coast, the Commission also applies § 854(a), which provides that no person "shall acquire or control ... any public utility" without Commission authorization. The primary standard for review under both of these sections is whether the transaction is "adverse to the public interest."⁷ In assessing whether the public interest standard is met under § 854(a), the Commission often considers some or all of the factors from § 854(c) on a discretionary basis to provide context for a public interest assessment.

⁷ D.07-05-061 (CalNev Pipeline) at 24.

We have noted in a number of recent decisions approving transfers of control that, because California “reaps enormous benefits” from public utility services, it is “in the public interest to foster a business climate in California that is hospitable to utilities.” Accordingly, we have ruled that § 854(a) transactions “should be approved absent a compelling reason to the contrary.”⁸ The evidence persuades us that, the proposed transaction should be approved.

Frontier currently has approximately 2.3 million access lines in 24 states, and provides telecommunications services to rural and small urban markets across the country. Frontier and its operating companies have a long history in serving rural areas in California and elsewhere.⁹ Frontier has pursued a strategy of enhancing its local presence in the communities in which it operates. With the proposed transaction, the residential and business consumers in the service areas it is acquiring from Verizon will become a key focus for Frontier.

The transaction will accelerate Frontier’s growth, creating a much larger company with increased financial strength and flexibility. Frontier will be the fifth-largest ILEC in America, serving predominantly rural communities and smaller cities, and it will have 8.6 million voice and broadband connections, including more than 7 million access lines and \$6.5 billion in revenues. It asserts

⁸ See D.04-08-018 (SureWest reincorporation); D.04-09-023 (Comm South/ Arbros); D.05-05-014 (Cal-Ore Telephone/Lynch Interactive); D.05-06-012 (Supra Telecommunications); D.05-08-006 (Highspeed Communications/Northwest Telephone); D.06-02-033 (PacifiCorp).

⁹ In addition to serving rural areas, Frontier also has experience serving mid-size communities including Elk Grove, California; the South Metro of Minneapolis/St. Paul, Minnesota; and Rochester, New York.

it will be the largest provider of voice, broadband, and video services focused on rural to smaller city markets in the United States.

In addition, Frontier expects to have an even stronger balance sheet and greater cash flow generation capabilities. This transaction will “delever” Frontier, i.e., it will reduce significantly the company’s debt-to-EBITDA ratio.¹⁰ The increased financial strength is expected to improve Frontier’s access to capital and lower its cost of capital, which will inure to the benefit of the California exchanges and their customers.

The transaction will be transparent to the current customers of Verizon West Coast, Verizon California, VLD, and VES in California. Customers are expected to receive substantially the same services post-merger that they received pre-merger, and at the same prices. No existing customer service will be discontinued or interrupted as a result of the transaction, and Frontier will use the same operational systems that Verizon uses today to provide service. At closing, Frontier will have full control over these systems. Verizon and Frontier representatives are expected to work together so that Frontier can ensure customer continuity including billing, customer account systems, and plant record systems. Further, the transaction should not have any adverse impacts on wholesale service customers in California. Frontier will retain all obligations under Verizon’s current interconnection agreements and other existing arrangements, in addition to the statutory obligations applicable to all ILECs.

¹⁰ Currently, Frontier Communication’s leverage is approximately 3.8 x EBITDA; after the transaction, its leverage will be reduced to 2.6 x EBITDA. (EBITDA is earnings before interest, taxes, depreciation, and amortization.)

Frontier will continue to be managed by employees with extensive knowledge of the local telephone business and with a commitment to the needs of the local community. Frontier will continue to employ Frontier and Verizon company employees that are experienced in providing local services in California. Frontier will honor the union labor agreements in the affected states. Verizon will fund pensions for the pre-closing services of employees moving to Frontier, and Verizon will remain responsible for people who retire from the transferred areas before closing.

The proposed transaction is structured to achieve Frontier's broadband investment and growth strategy while enhancing Frontier's ability to serve customers in all 27 states in which it will operate after the merger. As noted, this transaction will improve Frontier's overall financial flexibility and stability by reducing its relative leverage. After the transaction, Frontier's leverage will be decreased from 3.8 times EBITDA to 2.6 times combined 2008 pro forma EBITDA, even without considering expected operating efficiencies.

From Verizon's perspective, shareholders will benefit as a result of this transaction. This is part of a multi-year effort to transform the company's growth profile and asset base to focus greater attention on wireless, fiber-optic services and other broadband development, and global Intellectual Property.

The proposed transaction will benefit the local economies served by Frontier California and the affected Verizon exchanges because it will continue and enhance Frontier's service. These areas will continue to benefit from Frontier's increased financial strength and service in rural areas and expanding the availability of broadband.

The proposed transaction will preserve the Commission's jurisdiction. The Verizon California exchanges are currently operated under the URF and will

continue to be operated as such. Verizon West Coast is currently a rate-of-return company and will continue as such until such time as Frontier chooses to seek modification of that status.

Because the proposed transaction involves only an indirect change in ownership of stock and exchanges, it does not constitute a "project" under the California Environmental Quality Act ("CEQA"). The application does not request authority for new construction, nor will it result in any changes to the current use of assets. Accordingly, there is no possibility of any significant environmental impact associated with the joint application, and no CEQA review is necessary.

The proposed transaction will not reduce retail or wholesale competition and, indeed, will expand it. In California as in other states, none of the local exchanges being acquired by Frontier from Verizon overlap with any of the local exchanges already served by Frontier. Frontier and Verizon do not currently compete for customers in any of the affected exchanges as Frontier operates neither local exchange nor mobile facilities in these areas; therefore, the transaction will not reduce the number of competitors in any region. Once the transfer is complete, Verizon will continue competing in the affected areas by providing wireless services, enterprise services, and long distance services.

Because the transaction will result in no adverse consequences to customers, employees, shareholders, or the public in California, no mitigation measures are needed. We grant the application.

6. 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. The

comment period has been reduced to 10 days and the reply comment period is waived. On October 23, 2009 Joint Comments were filed by all parties which pointed out a minor omission, which has been corrected.

7. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Robert Barnett is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. Frontier seeks to acquire from Verizon 13 telephone exchanges in California.
2. Six exchanges comprising the entire serving territory of Verizon West Coast, a wholly owned subsidiary of Verizon Northwest, will be transferred to Frontier. These exchanges are: Crescent City, Klamath, Smith River, Hiouchi, and Gasquet in Del Norte County and Orick in Humboldt County.
3. Seven Verizon California exchanges will be transferred to Frontier; these border Arizona and Nevada. The exchanges to be transferred are:
 - (1) Adjacent to Nevada: Alpine (Alpine Co.) and Coleville (Mono Co.);
 - (2) Adjacent to Arizona: Earp Big River, Havasu Landing, and Parker Dam (San Bernardino Co.), Blythe (Riverside Co.), and Palo Verde (Imperial Co.).
4. Immediately following the completion of the transaction, Verizon's end-user customers in the 13 transferred exchanges will continue to receive substantially the same services, service rates, and service terms and conditions as immediately prior to the transaction.
5. Frontier currently has approximately 2.3 million access lines in 24 states, and provides telecommunications services to rural and small urban markets across the country. Frontier and its operating companies have a long history in serving rural areas in California and elsewhere.

6. The transaction is expected to accelerate Frontier's growth, creating a much larger company with increased financial strength and flexibility. Frontier will be the fifth-largest ILEC in America, serving predominantly rural communities and smaller cities, and it will have 8.6 million voice and broadband connections, including more than 7 million access lines and \$6.5 billion in revenues.

7. After the transaction is completed, Frontier expects to have an even stronger balance sheet and greater cash flow generation capabilities. This transaction will "delever" Frontier, i.e., it will reduce significantly the company's debt-to-EBITDA ratio. The increased financial strength is expected to improve Frontier's access to capital and lower its cost of capital, which will inure to the benefit of the California exchanges and their customers.

8. Customers are expected to receive substantially the same services post-merger that they received pre-merger, and at the same prices. No existing customer service will be discontinued or interrupted as a result of the transaction, and Frontier will use the same operational systems that Verizon uses today to provide service.

9. The transaction should not have any adverse impacts on wholesale service customers in California. Frontier will retain all obligations under Verizon's current interconnection agreements and other existing arrangements.

10. Frontier will continue to employ Frontier and Verizon company employees that are experienced in providing local services in California. Frontier will honor the union labor agreements in the affected states. Verizon will fund pensions for the pre-closing services of employees moving to Frontier, and Verizon will remain responsible for people who retire from the transferred areas before closing.

Conclusions of Law

1. At the completion of the transaction, Verizon West Coast will continue to operate as a stand-alone company in California (subject to being renamed), and will become a direct, wholly owned subsidiary of NCIH and an indirect, wholly owned subsidiary of NCH. Verizon West Coast's CPCN should be transferred to NCIH.

2. The seven Verizon California exchanges along the Arizona and Nevada borders will be transferred to NewILEC, a newly-formed corporation which will operate in California as well as Arizona and Nevada. Accordingly, NewILEC should be granted a new CPCN to permit it to operate those California exchanges.

3. NewLD should be granted a CPCN to provide interLATA and intraLATA resold telecommunications services (except local exchange services). This will enable NewLD to conduct the long distance business transferred to it by VLD and VES. VLD and VES will continue to provide some long distance telecommunications services in California, and therefore will maintain their CPCNs. NewLD should adopt the prices, terms, and conditions of VLD and VES.

4. NewILEC should adopt the prices, terms, and conditions of Verizon California with respect to the transferred exchanges. NewILEC should be designated an ETC under 47 U.S.C. Section 214(e). NewILEC's services contain each of the service elements necessary for ETC designation, including each of those in 47 U.S.C. Section 214(e). NewILEC should be granted the same Investment Tax Credit status that Verizon California possessed prior to the transaction.

5. The results of the transaction should be:

- (1) Transfer of Verizon West Coast's CPCN to NCIH;
- (2) A new CPCN for NewILEC for local exchange service to allow it to operate the seven former Verizon California exchanges along the Arizona and Nevada borders under the same terms;
- (3) NewILEC's adoption of the prices, terms, and conditions of Verizon California for the transferred exchanges;
- (4) NewILEC's designation as an ETC and transfer of existing Verizon California status as such in the affected exchanges;
- (5) A new CPCN for NewLD to provide interLATA and intraLATA resold telecommunications services (except local exchange services); and
- (6) Transfer of the long distance customers in the affected exchanges from VLD and VES to NewLD.

O R D E R

IT IS ORDERED that:

1. The Certificate of Public Convenience and Necessity of Verizon West Coast Inc. is transferred to New Communications ILEC Holdings, Inc.

2a. A Certificate of Public Convenience and Necessity is granted to New Communications of the Southwest Inc. to allow it to operate under the same terms the seven Verizon California Inc. exchanges being transferred to it:

- (1) Adjacent to Nevada: Alpine (Alpine Co.) and Coleville (Mono Co.);
- (2) Adjacent to Arizona: Earp Big River, Havasu Landing, and Parker Dam (San Bernardino Co.), Blythe (Riverside Co.), and Palo Verde (Imperial Co.).

2b. The corporate identification number assigned to New Communications of the Southwest Inc., U1026C, shall be included in the caption of all original filings with this Commission, and in the titles of other pleadings filed in existing cases.

2c. New Communications of the Southwest Inc. shall comply with the requirements applicable to Uniform Regulatory Framework Local Exchange Carriers in Attachment A to this decision.

3. New Communications of the Southwest Inc. shall adopt the prices, terms, and conditions of Verizon California Inc. for the transferred exchanges.

4. New Communications of the Southwest Inc. shall file an advice letter in compliance with Resolution T-17002 to be designated as an Eligible Telecommunications Carrier in California under 47 U.S.C. Section 214.

5a. A Certificate of Public Convenience and Necessity is granted to New Communications Online and Long Distance, Inc. to provide interLocal Access and Transport Area and intraLocal Access and Transport Area resold telecommunications services (except local exchange services).

5b. The corporate identification number assigned to New Communications Online and Long Distance, Inc., U7167C, shall be included in the caption of all original filings with this Commission, and in the titles of other pleadings filed in existing cases.

5c. New Communications Online and Long Distance, Inc. shall comply with the requirements applicable to Non-Dominant Interexchange Carriers in Attachment D to this decision.

6. The accounts receivables and customer relationships related to the long distance operations in California of Verizon Long Distance, LLC (U5732C) and Verizon Enterprise Solutions, LLC (U5658C) shall be transferred to New Communications Online and Long Distance, Inc.

7. The Settlement Agreement is approved and adopted:

- (1) **Basic Residential Service Rate Caps.** For one year following closing of the proposed transaction, the basic primary residential rate for each of the Verizon California

Transferred Exchanges will be capped at their current levels as of the date of the closing of this transaction. Thereafter, the parties agree that those exchanges will be subject to applicable Commission orders governing services for Uniform Regulatory Framework ("URF") companies.

- (2) **Rates for Other Services.** For one year following closing of the proposed transaction, the rate for the following services for the Verizon California Transferred Exchanges 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. Thereafter, the parties agree that those exchanges will be subject to applicable Commission orders governing services for URF companies.
- (3) **Exogenous Events.** Notwithstanding the limitations included in paragraphs one and two, Frontier Communications of the Southwest will be permitted to request reasonable recovery for the impact of exogenous events that materially impact the operations of the Verizon California Transferred Exchanges, including but not limited to, orders of the Federal Communications Commission and this Commission. Nothing herein shall prevent a party from opposing such a request on the grounds of reasonableness. Frontier Communications of the Southwest may apply to the Commission to modify the rates of the exchanges to which paragraphs one and two are applicable. Nothing herein shall be construed to prevent any party from taking a position with respect to the appropriate service rates, if any, which should apply to the affected exchanges, after the dates specified in paragraph one or two above.

- (4) **Service Quality Reporting.** For a period of 12 months after the closing of the proposed Transaction, or until December 31, 2011, whichever date is later, Citizens Telecommunications Company of California d/b/a Frontier Communications of California, with respect to existing exchanges and Frontier Communications of the Southwest with respect to the Verizon California Transferred Exchanges will file separate reports with the Commission concerning installation intervals for their respective exchanges, notwithstanding any exemption from reporting contained in General Order 133-C for URF companies.

8. Application 09-06-005 is closed.

This order is effective today.

Dated October 29, 2009, at San Francisco, California.

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners

Appendix A

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

Joint Application of Frontier Communications Corporation, New Communications Holdings, Inc., New Communications ILEC Holdings, Inc., New Communications of the Southwest Inc., Verizon West Coast Inc. (U 1020 C), Verizon California Inc. (U 1002 C), New Communications Online and Long Distance, Inc., Verizon Long Distance, LLC (U 5732 C) and Verizon Enterprise Solutions, LLC (U 5658 C) For Approval of the Sale of Assets, Transfer of Certificates and Customer Bases, and Issuance of Additional Certificates

A. 09-06-005

SETTLEMENT AGREEMENT

E. Garth Black
Patrick M. Rosvall
Cooper, White & Cooper LLP
201 California St., 17th Floor
San Francisco, CA 94111
Telephone: (415) 433-1900
Facsimile: (415) 433-5530
e-mail: gblack@cwclaw.com

Kevin Saville
Associate General Counsel
Frontier Communications Corporation
2378 Wilshire Blvd.
Mound, Minnesota 55364
Telephone: (952) 491-5564
Facsimile: (952) 491-5577
e-mail: kevin.saville@frontiercorp.com

Attorneys for Frontier Communications Corporation

Elaine M. Duncan
Vice President and General Counsel
West Region Verizon
711 Van Ness Avenue, Suite 300
San Francisco, CA 94102
Telephone: (415) 474-0468
Facsimile: (415) 474-6546
e-mail: elaine.duncan@verizon.com

Attorney for New Communications Corporation, New Communications ILEC Holdings, Inc., New Communications of the Southwest Inc., Verizon West Coast Inc., Verizon California Inc., New Communications Online and Long Distance, Inc., Verizon Long Distance, LLC, and Verizon Enterprise Solutions, LLC

This Settlement Agreement is entered into as of August 20, 2009, by and between Frontier Communications Corporation, ("Frontier"), New Communications Corporation, New Communications ILEC Holdings, Inc., New Communications of the Southwest Inc., Verizon West Coast Inc., Verizon California Inc., New Communications Online and Long Distance, Inc., Verizon Long Distance, LLC, and Verizon Enterprise Solutions, LLC (collectively "Verizon"), the Division of Ratepayer Advocates of the California Public Utilities Commission ("DRA") and The Utility Reform Network ("TURN") in accordance with Article 12 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure. Frontier, Verizon, DRA and TURN are sometimes referred collectively herein as the "Parties" and individually as a "Party."

RECITALS

WHEREAS, on June 4, 2009, Frontier and Verizon filed their Joint Application for approval pursuant to Public Utilities Code Sections 851- 854 of the transfer of a portion of Verizon's local exchange and long distance business in California to companies to be owned and controlled by Frontier and for additional approvals as may be necessary to complete the proposed transaction ("Transaction") in this proceeding: A. 09-06-005. ("Application").

WHEREAS, the Transaction involves property in thirteen exchanges. Six exchanges comprise the entire serving territory of Verizon West Coast (approximately 13,000 access lines), which will be transferred to Frontier in its entirety and operate as a separate legal entity upon the closing of the Transaction. Another seven California exchanges (approximately 11,000 access lines) currently operated by Verizon California, Inc. are being transferred to Frontier; these border Arizona and Nevada, and are contiguous to the Verizon California Inc. properties in those states that are also being transferred. The Verizon California exchanges to be transferred are: (1) Adjacent to Nevada: Alpine (Alpine Co.) and Coleville (Mono Co.); (2) Adjacent to Arizona: Earp Big River, Havasu Landing, and Parker Dam (San Bernardino Co.), Blythe (Riverside Co), and Palo Verde (Imperial Co.) and will hereinafter be referred to as "Verizon California Transferred Exchanges."

WHEREAS, New Communications of the Southwest Inc., hereinafter "Frontier Communications of the Southwest" will operate the Verizon California Transferred Exchanges.

WHEREAS, on July 13, 2009 DRA and TURN filed timely Protests to the Application on various grounds.

WHEREAS, on July 23, 2009 Frontier and Verizon timely filed their Reply to the Protests of DRA and TURN.

WHEREAS, since Frontier and Verizon filed their Reply to the Protests of DRA and TURN the Parties have been discussing a possible mutually satisfactory resolution of the issues raised by the DRA and TURN Protests that would be in the public interest.

AGREEMENT

NOW, THEREFORE, based upon the mutual agreement reflected in this Settlement Agreement, Frontier, Verizon, DRA and TURN agree as follows:

- 1. Basic Residential Service Rate Caps.** For one year following closing of the proposed Transaction, the basic primary residential rate for each of the Verizon California Transferred Exchanges will be capped at their current levels as of the date of the closing of this Transaction. Thereafter, the Parties agree that those exchanges will be subject to applicable Commission orders governing services for URF companies.
- 2. Rates For Other Services.** For one year following closing of the proposed Transaction, the rate for the following services for the Verizon California Transferred Exchanges 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. Thereafter, the Parties agree that those exchanges will be subject to applicable Commission orders governing services for URF companies.
- 3. Exogenous Events.** Notwithstanding the limitations included in paragraphs 1 and 2, Frontier Communications of the Southwest will be permitted to request reasonable recovery for the impact of exogenous events that materially impact the operations of the Verizon California

Transferred Exchanges, including but not limited to, orders of the Federal Communications Commission ("FCC") and this Commission. Nothing herein shall prevent a Party from opposing such a request on the grounds of reasonableness. Frontier Communications of the Southwest may apply to the Commission to modify the rates of the exchanges to which paragraph 1 and 2 are applicable. Nothing herein shall be construed to prevent any Party from taking a position with respect to the appropriate service rates, if any, which should apply to the affected exchanges, after the dates specified in paragraph 1 or 2 above.

4. **Service Quality Reporting.** For a period of twelve months after the closing of the proposed Transaction, or until December 31, 2011, whichever date is later, Citizens Telecommunications Company of California d/b/a Frontier Communications of California, with respect to existing exchanges and Frontier Communications of the Southwest with respect to the Verizon California Transferred Exchanges will file separate reports with the Commission concerning installation intervals for their respective exchanges, notwithstanding any exemption from reporting contained in General Order 133-C for URF companies.

5. This Settlement Agreement represents a compromise of the disputed positions of the Parties and is fundamentally fair, reasonable in the light of the whole record, consistent with the law, and in the public interest. Applicants, TURN and DRA disagree with respect to whether the economic benefits and allocation provisions of Public Utilities Code §854(b) and (c) apply to this Transaction. Parties agree, however, that irrespective of the disputed legal issue, Applicants have provided enough information and the transaction provides enough customer benefit to ensure it is in the public interest, consistent with the law including Section 854(b) and (c) and fair and reasonable in light of the whole record.. Nothing in this Settlement Agreement shall be interpreted as an admission or waiver of claims or positions with respect the application of Public Utilities Code §854(b) and (c).

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

7. The Commission will 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.

8. This Settlement Agreement was jointly prepared by all of 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.

9. Each of the undersigned Parties agrees to abide by the conditions set forth in this Settlement Agreement.

10. The Settlement Agreement may be executed in counterparts.

11. The parties agree that the Commission should adopt its decision in this proceeding that grants the relief sought in Section V. of the Application subject to the conditions specified in this Settlement Agreement. A Commission decision adopting this Settlement Agreement shall also close this proceeding.

12. By signing below, each signatory for a Party 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. This Settlement Agreement may be signed in counterparts.

13. 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.

14. This Settlement Agreement may be amended or changed only by a written agreement signed by both Parties and approved by the Commission.

15. The Parties agree that if the Commission fails to adopt the provisions agreed to and contained in this Settlement Agreement or modifies them, either Party may terminate this Settlement Agreement and pursue all rights which either Party may have as of the execution date of this Settlement Agreement.

Dated: August 20, 2009

For Frontier Communications Corporation

For the Verizon entities and the newly-formed companies

By: 

By: _____

E. Garth Black
Patrick M. Rosvall
Cooper, White & Cooper LLP
201 California St., 17th Floor
San Francisco, CA 94111
Telephone: (415) 433-1900
Facsimile: (415) 433-5530
e-mail: gblack@cwclaw.com

Elaine M. Duncan
Vice President and General Counsel
West Region Verizon
711 Van Ness Avenue, Suite 300
San Francisco, CA 94102
Telephone: (415) 474-0468
Facsimile: (415) 474-6546
e-mail: elaine.duncan@verizon.com

Kevin Saville
Associate General Counsel
Frontier Communications Corporation
2378 Wilshire Blvd.
Mound, Minnesota 55364
Telephone: (952) 491-5564
Facsimile: (952) 491-5577
e-mail: kevin.saville@frontiercorp.com

For The Utility Reform Network

For the Division of Ratepayer Advocates

By: _____

By: _____

William R. Nusbaum
Managing Attorney
Christine Mailloux
Telecommunications Attorney
The Utility Reform Network
115 Sansome Street, Suite 900
San Francisco, CA 94104
Telephone: (415) 929-8876
e-mail: bnusbaum@turn.org

Dana Appling
Director
Sindy J. Yun
Staff Counsel
California Public Utilities Commission
Division of Ratepayer Advocates
505 Van Ness Avenue, Room 4300
San Francisco, CA 94102
Phone: (415) 703-1999
Fax: (415) 703-4432
e-mail: sjy@cpuc.ca.gov

15. The Parties agree that if the Commission fails to adopt the provisions agreed to and contained in this Settlement Agreement or modifies them, either Party may terminate this Settlement Agreement and pursue all rights which either Party may have as of the execution date of this Settlement Agreement.

Dated: August 20, 2009

For Frontier Communications Corporation

For the Verizon entities and the newly-formed companies

By: 

By: 

E. Garth Black
Patrick M. Rosvall
Cooper, White & Cooper LLP
201 California St., 17th Floor
San Francisco, CA 94111
Telephone: (415) 433-1900
Facsimile: (415) 433-5530
e-mail: gblack@cwclaw.com

Elaine M. Duncan
Vice President and General Counsel
West Region Verizon
711 Van Ness Avenue, Suite 300
San Francisco, CA 94102
Telephone: (415) 474-0468
Facsimile: (415) 474-6546
e-mail: elaine.duncan@verizon.com

Kevin Saville
Associate General Counsel
Frontier Communications Corporation
2378 Wilshire Blvd.
Mound, Minnesota 55364
Telephone: (952) 491-5564
Facsimile: (952) 491-5577
e-mail: kevin.saville@frontiercorp.com

For The Utility Reform Network

For the Division of Ratepayer Advocates

By: _____

By: _____

William R. Nusbaum
Managing Attorney
Christine Mailloux
Telecommunications Attorney
The Utility Reform Network
115 Sansome Street, Suite 900
San Francisco, CA 94104
Telephone: (415) 929-8876
e-mail: bnusbaum@turn.org

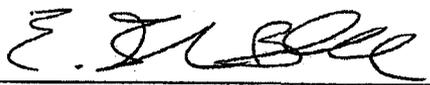
Dana Appling
Director
Sindy J. Yun
Staff Counsel
California Public Utilities Commission
Division of Ratepayer Advocates
505 Van Ness Avenue, Room 4300
San Francisco, CA 94102
Phone: (415) 703-1999
Fax: (415) 703-4432
e-mail: sjy@cpuc.ca.gov

15. The Parties agree that if the Commission fails to adopt the provisions agreed to and contained in this Settlement Agreement or modifies them, either Party may terminate this Settlement Agreement and pursue all rights which either Party may have as of the execution date of this Settlement Agreement.

Dated: August 20, 2009

For Frontier Communications Corporation

For the Verizon entities and the newly-formed companies

By: 

By: _____

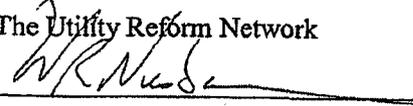
E. Garth Black
Patrick M. Rosvall
Cooper, White & Cooper LLP
201 California St., 17th Floor
San Francisco, CA 94111
Telephone: (415) 433-1900
Facsimile: (415) 433-5530
e-mail: gblack@cwclaw.com

Elaine M. Duncan
Vice President and General Counsel
West Region Verizon
711 Van Ness Avenue, Suite 300
San Francisco, CA 94102
Telephone: (415) 474-0468
Facsimile: (415) 474-6546
e-mail: elaine.duncan@verizon.com

Kevin Saville
Associate General Counsel
Frontier Communications Corporation
2378 Wilshire Blvd.
Mound, Minnesota 55364
Telephone: (952) 491-5564
Facsimile: (952) 491-5577
e-mail: kevin.saville@frontiercorp.com

For The Utility Reform Network

For the Division of Ratepayer Advocates

By: 

By: _____

William R. Nusbaum
Managing Attorney
Christine Mailloux
Telecommunications Attorney
The Utility Reform Network
115 Sansome Street, Suite 900
San Francisco, CA 94104
Telephone: (415) 929-8876
e-mail: bnusbaum@turn.org

Dana Appling
Director
Sindy J. Yun
Staff Counsel
California Public Utilities Commission
Division of Ratepayer Advocates
505 Van Ness Avenue, Room 4300
San Francisco, CA 94102
Phone: (415) 703-1999
Fax: (415) 703-4432
e-mail: sjy@cpuc.ca.gov

15. The Parties agree that if the Commission fails to adopt the provisions agreed to and contained in this Settlement Agreement or modifies them, either Party may terminate this Settlement Agreement and pursue all rights which either Party may have as of the execution date of this Settlement Agreement.

Dated: August 20, 2009

For Frontier Communications Corporation

For the Verizon entities and the newly-formed companies

By: 

By: _____


Patrick M. Rosvall
Cooper, White & Cooper LLP
201 California St., 17th Floor
San Francisco, CA 94111
Telephone: (415) 433-1900
Facsimile: (415) 433-5530
e-mail: gblack@owclaw.com

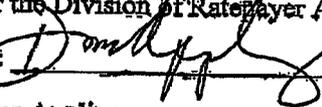
Elaine M. Duncan
Vice President and General Counsel
West Region Verizon
711 Van Ness Avenue, Suite 300
San Francisco, CA 94102
Telephone: (415) 474-0468
Facsimile: (415) 474-6546
e-mail: elaine.duncan@verizon.com

Kevin Saville
Associate General Counsel
Frontier Communications Corporation
2378 Wilshire Blvd.
Mound, Minnesota 55364
Telephone: (952) 491-5564
Facsimile: (952) 491-5577
e-mail: kevin.saville@frontiercorp.com

For The Utility Reform Network

For the Division of Ratepayer Advocates

By: _____

By: 

William R. Nusbaum
Managing Attorney
Christine Mailloux
Telecommunications Attorney
The Utility Reform Network
115 Sansome Street, Suite 900
San Francisco, CA 94104
Telephone: (415) 929-8876
e-mail: bnusbaum@turn.org

Dana Appling
Director
Sindy J. Yum
Staff Counsel
California Public Utilities Commission
Division of Ratepayer Advocates
505 Van Ness Avenue, Room 4300
San Francisco, CA 94102
Phone: (415) 703-1999
Fax: (415) 703-4432
e-mail: sjy@cpuc.ca.gov

ORIGINAL
RECEIVED BY FAX
AUG 21 2009

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

CERTIFICATE OF SERVICE

I, Martin Spence, declare:

I am a resident of the State of California, over the age of eighteen years, and not a party to the within action. My business address is COOPER, WHITE & COOPER LLP, 201 California Street, 17th Floor, San Francisco, CA 94111.

On August 21, 2009, I served the:

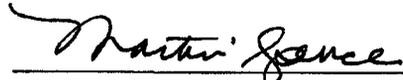
JOINT MOTION FOR ADOPTION OF SETTLEMENT AGREEMENT

by sending via e-mail a true and correct copy in Adobe Acrobat PDF searchable format to the parties on the CPUC's service list for Proceeding No. A. 09-06-005.

Hard copies were mailed to Assigned ALJ Barnett and to Assigned Commissioner Peevey.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on August 21, 2009, at San Francisco, California.



Martin Spence

622699.1

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2009-220-C - ORDER NO. 2009-769

OCTOBER 29, 2009

IN RE: Joint Application of Frontier Communications) ORDER APPROVING
Corporation, New Communications of the) TRANSFER OF ASSETS,
Carolinas Inc., New Communications Online) AUTHORITY, AND
and Long Distance Inc., Verizon South Inc.,) CERTIFICATES
Verizon Long Distance LLC and Verizon)
Enterprise Solutions LLC for Approval of the)
Transfer of Assets, Authority and Certificates)

I. INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (the "Commission") on the Joint Application of Frontier Communications Corporation ("Frontier" or the "Company"), New Communications of the Carolinas Inc. ("NewILEC"), New Communications Online and Long Distance Inc. ("NewLD"), Verizon South Inc. ("Verizon South"), Verizon Long Distance LLC ("VLD"), and Verizon Enterprise Solutions LLC ("VES") (hereinafter jointly referenced as the "Applicants") for Approval of the Transfer of Assets, Authority, and Certificates.¹

The Joint Application was filed on May 29, 2009, pursuant to S.C. Code §§ 58-3-230, 58-9-300, and 58-9-310. Verizon South's incumbent local exchange carrier ("ILEC") operations in South Carolina will be transferred in their entirety to NewILEC, which will become controlled by Frontier pursuant to a parent company merger.

¹ The style of the case has been altered to eliminate the word "sale" because the transaction involves a transfer, not a sale, of assets.

Likewise, certain long distance customers of VLD and VES in South Carolina will be transferred to NewLD, a subsidiary to be acquired by Frontier. Upon closing, Frontier will own and control and its board of directors and management will manage the Verizon Communications Inc. (“Verizon”) businesses transferred as part of the transaction. After the transaction closes, NewILEC and NewLD will operate as Frontier subsidiaries with different names, but will have the same tariffs and will offer substantially the same regulated retail and wholesale services under the same rates, terms, and conditions that exist today.

In the Joint Application, the Applicants request the following relief from the Commission:

- (1) that Verizon South be permitted to withdraw from the market pursuant to S.C. Code § 58-9-300;
- (2) that the authority by which Verizon South operated as an ILEC be transferred to NewILEC or that a certificate of public convenience and necessity (“CPCN”) be granted;
- (3) that NewILEC be authorized to operate under an alternative regulatory plan pursuant to S.C. Code Ann. § 58-9-576(B);
- (4) that the Commission transfer Verizon South’s payphone CPCN issued in Order No. 97-401, Docket No. 85-150-C, to NewILEC;
- (5) that the Commission grant NewLD a CPCN to provide competitive interLATA and intraLATA resold telecommunications (except local exchange services) throughout South Carolina, subject to alternative regulation pursuant to S.C. Code § 58-9-585. This will enable NewLD to conduct the long distance business transferred to it by VLD and VES. (VLD and VES will continue to provide some long distance telecommunications services in South Carolina, and therefore will maintain their CPCNs.);

- (6) that the requirements of S.C. Code Ann. § 58-3-230 be waived with respect to the transfer of customers from VLD and VES to NewLD. NewLD will comply with all federal and state requirements regarding the transfer of these customers; and
- (7) that the Commission designate NewILEC as an Eligible Telecommunications Carrier ("ETC") and that Verizon South's existing ETC status transfer to NewILEC. Because it will continue to provide substantially the same services, service rates, and service terms and conditions to the end-user local exchange customers previously served by Verizon South, which was previously designated as an ETC in Order No. 97-958, NewILEC requests that it be given the same ETC designation previously granted to Verizon South. As the successor ILEC for Verizon South's service territory, NewILEC commits to meet all federal and state ETC requirements. Verizon South's ETC status in South Carolina will be terminated effective upon completion of the merger of NCH² with and into Frontier.

By letter dated June 11, 2009, the Commission's Docketing Department instructed the Applicants to publish a prepared Notice of Filing, one time, in a newspaper of general circulation in the area affected by the proposed transfer. The Notice of Filing described the nature of the Joint Application and advised all interested persons desiring to participate in the scheduled proceedings of the manner and time in which to file appropriate pleadings for inclusion in the proceedings as a party of record. On July 13, 2009, the Applicants furnished to the Commission an Affidavit of Publication demonstrating that the Notice of Filing had been duly published in newspapers of general circulation in the areas affected by the Joint Application.

The South Carolina Telephone Coalition ("SCTC") and the United States Department of Defense and Federal Executive Agencies ("DOD") timely intervened in this matter. The ORS is a party to all proceedings before the Commission pursuant to S.C. Code Ann. § 58-4-10 (Supp.2008).

² New Communications Holding Inc. ("NCH") and its merger with and into Frontier are described in more detail at paragraphs three, four, and five.

On August 19, 2009 the Commission granted the Motion for Pro Hac Vice of Mr. Saville.

On August 26, 2009 the Commission granted the Motions for Pro Hac Vice of Mr. O’Roark and Mr. Spann.

On August 27, 2009, a hearing concerning the proposed transfer was held in the Commission’s hearing room located at Synergy Business Park, 101 Executive Center Drive- Saluda Building, Columbia, South Carolina. The Commission with Chairman Elizabeth B. Fleming presiding heard the matter. Steven W. Hamm, Esquire, represented both Verizon and Frontier. Mr. Dulaney O’Roark, Esquire, represented Verizon. Mr. Kevin Saville, Esquire, represented Frontier. Mr. M. John Bowen, Jr., Esquire, represented SCTC. Mr. Charles Shultz, Esquire, and Mr. Terrance A. Spann, Esquire, represented DOD. Nanette Edwards, Esquire, represented ORS. Joseph Melchers, Esquire, served as legal counsel to the Commission.

At the start of the hearing, Verizon, Frontier, ORS, and DOD announced that they had signed a settlement agreement (“Settlement Agreement”). (See Hearing Exhibit 6, appended to this Order as Attachment 1). Additionally, Mr. Bowen indicated that SCTC executed a letter agreement (“Letter Agreement”) with NewILEC and Frontier resolving SCTC’s concerns. (See Hearing Exhibit 1, appended to this Order as Attachment 2). The Applicants presented the testimony of Timothy McCallion, President of the West Region for Verizon, and Daniel McCarthy, Executive Vice President and Chief Operating Officer of Frontier. DOD presented the testimony of Charles W. King. ORS presented the testimony of Christopher J. Rozycki, Program Manager-Telecommunications.

During the hearing, Frontier made a number of public interest commitments to encourage approval of the transfer. These commitments are:

- (1) to provide high quality service (Tr. 15);
- (2) to significantly expand the availability of broadband internet access in their South Carolina territories (Tr. 163-164, 175-180);
- (3) to provide a free personal computer to its customers as a promotional offering when these customers sign-up for broadband service with telephone and a commitment (Tr. 164, 167-168);
- (4) to provide performance operating data to the Commission and the South Carolina Office of Regulatory Staff (“ORS”) on a quarterly basis for a two-year period and then annually for the following three years, totaling five years of performance data monitoring. Publication of this data is to ensure compliance with the Commission’s statutes and regulations as well as FCC standards and is to be placed on ORS’s website (Tr. 17-18, 162-163);
- (5) to use the savings from their reduction of corporate dividends by 25 percent, to invest in this transfer’s market, and provide ORS information on dividends and net earnings at the corporate level (Tr. 19, 162-163, 168);
- (6) to provide ORS with complaint data for a period of two years that will be published along with the operating data (Tr. 19, 162-163);
- (7) to participate in any proceeding the ORS may bring before the Commission without objection should ORS determine that Frontier’s performance is lacking in any manner, provided Frontier has been given a reasonable opportunity to correct the deficiency (Tr. 20);
- (8) to operate substantially the same back office support, computer systems, and network systems used by Verizon prior to closing, and those systems will be operated by Verizon personnel who will continue on, but as employees of Frontier. This commitment also includes maintaining the pension plans of those Verizon employees who are now employed with Frontier (Tr. 62-63, 65-66, 57-68, 160, 161).

II. FINDINGS OF FACT AND SUPPORTING EVIDENCE

1. Verizon South is a Virginia corporation with its primary address at 703 East Grace Street, Richmond, Virginia. Verizon South is an ILEC subject to alternative regulation pursuant to Section 58-9-576(B). As a telephone utility, its operations are subject to the Commission's jurisdiction pursuant to S.C. Code Ann. 58-9-10, *et seq.* (Supp. 2008).

The evidence supporting this finding is contained in the Joint Application and in the testimony of witness McCallion.

2. Frontier is a corporation organized under the laws of the state of Delaware, with its primary address at 3 High Ridge Park, Stamford CT 06905. Frontier is a full-service communications provider and is one of the largest providers serving rural communities and small and medium-sized cities. Frontier offers telephone, television and Internet services, as well as bundled offerings, wireless Internet data access, data security solutions and specialized bundles for small, medium and large businesses and home offices in 24 states. In 2008, Frontier's revenues were \$2.2 billion, with a net income of \$182.7 million. Frontier has approximately 5,600 employees and serves a total of 2.8 million voice and broadband connections, including 2.3 million access lines.

The evidence supporting this finding is contained in the Joint Application and in the testimony of witness McCarthy.

3. On May 13, 2009, Frontier, Verizon and New Communications Holdings Inc. ("NCH") entered into an Agreement and Plan of Merger (the "Merger Agreement") under which Frontier will acquire approximately 4.8 million access lines (and certain related

assets) currently owned by subsidiaries of Verizon in Arizona, Idaho, Illinois, Indiana, Michigan, Nevada, North Carolina, Ohio, Oregon, South Carolina, Washington, Wisconsin and West Virginia as well as portions of California bordering Arizona, Nevada and Oregon.

The Applicants seek to transfer the authority and assets currently owned and operated by Verizon South in South Carolina to an entity, control of which will be transferred to Frontier.

The evidence supporting this finding is contained in the Joint Application and in the testimony of witnesses McCallion and McCarthy.

4. NCH will serve as the holding company for the local exchange, long distance and related businesses in South Carolina and the other affected states that are being transferred to Frontier. NCH currently is a subsidiary of Verizon that will be merged into Frontier. Frontier will be the surviving entity, and will then own and control the Verizon assets being transferred through the transaction as well as its current business operations in South Carolina.

The evidence supporting this finding is contained in the Joint Application and in the testimony of witnesses McCallion and McCarthy.

5. NCH has two newly formed subsidiaries: (a) New Communications ILEC Holdings Inc. ("NCIH"), which will own the stock of NewILEC (New Communications of the Carolinas Inc.) and the other operating ILECs in the affected states; and (b) NewLD (New Communications Online and Long Distance Inc.), which will hold designated accounts receivables and customer relationships related to the long distance

operations (and other operations) in South Carolina and the other affected states. Through a series of intra-corporate stock transfers, Verizon will transfer (or cause to be transferred) the stock of NewILEC and the other affected ILECs to NCIH.

Similarly, VLD and VES will transfer the designated accounts receivables and customer relationships related to their long distance operations in South Carolina and the other affected states to NewLD.

The stock of NCH will then be distributed to Verizon shareholders such that NCH will be "spun off" from Verizon to Verizon's shareholders. Immediately following this spin-off, NCH will be merged into Frontier, and Frontier will be the surviving holding company, operating under its existing name and corporate structure, but also owning all of the stock of NCH's subsidiaries, NCIH and NewLD. Once the merger is completed, NCH will cease to exist; thus, NCIH and NewLD will be direct subsidiaries of Frontier, and NewILEC will be an indirect subsidiary.

The evidence supporting this finding is contained in the Joint Application and in the testimony of witnesses McCallion and McCarthy.

6. The Commission concludes that NewILEC and NewLD, which will become Frontier subsidiaries, have the financial, managerial, and technical resources to provide local exchange and interexchange telecommunications services in the state.

The evidence supporting this finding is contained in the Joint Application and in the testimony of witnesses McCallion, McCarthy, and Rozycki. In 2008, Frontier generated revenue of \$2.2 billion, with net income of \$182.7 million and free cash flow of \$493.2 million. The transaction will improve Frontier's financial position by

increasing its cash flow and deleveraging its balance sheet. For example, on a pro forma basis for 2008, the new Frontier would have had free cash flow of more than \$1.4 billion, nearly three times the 2008 cash flow of Frontier as it exists today. Moreover, as a result of the acquisition, Frontier's leverage ratio (net debt divided by earnings before interest, taxes, depreciation and amortization, or EBITDA) is projected to decrease from 3.8 times to 2.6 times. This reduction will provide Frontier with improved access to the capital markets, thereby increasing Frontier's flexibility to further manage its balance sheet and invest in new products for its customers. Frontier's change in its dividend policy to decrease its annual cash dividend from \$1.00 per share of common stock to \$0.75 per share effective upon closing of the transaction also will strengthen the company's financial position and enable it to use additional free cash flow to invest in the newly acquired Verizon territory, offer new products and services, and increase broadband capability in its markets over the next few years.

DOD expressed concern that Frontier's recent dividend payments have been greater than its net income, impacting its financial condition. Also, DOD noted that Frontier's financial condition will improve as a result of the transaction. Frontier disputed DOD's allegations regarding the payment of dividends.

This issue was resolved in the Settlement Agreement, which requires Frontier to provide information about quarterly dividends and net income to the Commission and ORS, thereby providing the Commission the information regarding dividend versus net income trends. Furthermore, ORS agreed to include and publish such information on its

website quarterly for the first two years after the close of the transaction and for an additional three years thereafter.

7. The Commission concludes that NewILEC's provision of service will not adversely impact the availability of affordable local exchange service.

The evidence supporting this finding is contained in the Joint Application and in the testimony of witnesses McCallion, McCarthy, and Rozycki. NewILEC will adopt Verizon's existing tariffs and contracts.

8. The Commission concludes that NewILEC and NewLD will participate in the support of universally available telephone service at affordable rates to the extent required to do so by the Commission.

The evidence supporting this finding is contained in the Joint Application and in the testimony of witnesses McCallion, McCarthy, and Rozycki. To the extent SCTC had concerns regarding NewILEC placing additional burdens on the State Universal Service Fund ("State USF") or Interim LEC Fund ("ILF"), those concerns were resolved by the Letter Agreement among NewILEC, Frontier, and SCTC. (*See Attachment 2*). Under the Letter Agreement, neither NewILEC nor its parent, Frontier, will take any action to effect a change in the funds or take any action that would be harmful to SCTC members' ability to recover from the funds for a period of three years.

9. The Commission concludes that with the adoption of the Settlement Agreement, Frontier and its subsidiaries operating in South Carolina shall provide services which will meet the service standards of the Commission.

The evidence supporting this finding is contained in the Joint Application and in the testimony of witnesses McCallion, McCarthy, and Rozycki. DOD expressed reservations about the quality of service during and after the transition from Verizon South to NewILEC given that two prior transactions involving Verizon's transfer of properties in other states to other carriers experienced problems after the transactions closed due to newly developed systems.

Mr. McCallion and Mr. McCarthy testified that significant efforts have been undertaken by the companies to ensure a seamless transition. Specifically, Frontier will take possession of a tested substantial replica of Verizon's existing systems at closing for operations in South Carolina. This transaction is significantly different from the prior transactions cited by DOD involving Hawaiian Telecommunications and FairPoint, where the acquiring carriers developed new customer support systems. If Frontier chooses to transition systems at some point in the future, it can do so at its own pace and with a focus on phasing in capabilities for specific customer groups. Mr. McCarthy testified that Frontier has a successful track record of integrating the operations of various operating companies, including its acquisition of Commonwealth Telephone in 2006, which involved some 316,000 access lines. Frontier already has existing, proven systems, and Frontier's existing systems are fully scalable. ORS Witness Mr. Rozycki also testified that “[i]n essence Frontier is acquiring Verizon’s total, working telecommunications business in South Carolina, complete with the employees, tools, and instructions necessary to keep it properly running.” Rozycki, Prefiled Direct Testimony at 6 lines 9-11.

DOD recommended increased service quality reporting requirements in the testimony of witness King. As part of the Settlement Agreement, Frontier will submit to the Commission and to ORS on a quarterly basis for the first two years following the close of the transaction and yearly thereafter for an additional three years the following six Federal Communication Commission (“FCC”) Service Quality Indicators as included in the FCC 43-05 Reports: (1) installation interval (days); (2) percentage local installation commitments not met; (3) trouble reports per month per hundred lines; (4) complaints to regulatory agencies; (5) repeat out-of-service trouble reports as a percentage of initial out-of-service trouble reports; and (6) out-of-service repair interval (hours). Additionally, Frontier will submit the five South Carolina Standards for Telecommunication Services service quality reports that Verizon South currently is required to submit to the Commission pursuant to 26 S.C. Code Ann. Regs. 103-618 and 103-619 (Supp. 2008). ORS agreed to post this service quality information on its website quarterly for the first two years following the close of the transaction and yearly thereafter for an additional three years. Furthermore, ORS has agreed to collect and report to the Commission as well as on its website the number of Service Quality/Performance Consumer Complaints it receives regarding Frontier on a quarterly basis for the first two years after the close of the transaction and on a yearly basis for the following three-year period.

Additionally, the Settlement Agreement provides that if ORS determines, after appropriate notice and communication with Frontier, that Frontier is not maintaining and achieving satisfactory performance results, ORS at its sole discretion may petition the

Commission to institute an expedited proceeding to examine any allegations of inadequate service quality. Frontier agrees that it will not oppose the initiation of such a proceeding by ORS with the Commission as long as ORS has first given Frontier a reasonable opportunity to correct such alleged problems prior to any filing with the Commission.

The Commission concludes that in this manner, information regarding service quality will be transparent and readily available.

10. The Commission concludes that the provision of telecommunications services by NewILEC and NewLD will not adversely impact the public interest.

The evidence supporting this finding is contained in the Joint Application and in the testimony of witnesses McCallion, McCarthy, and Rozycki.

11. The Commission concludes that granting the Joint Application is in the public interest. Frontier witness McCarthy testified that Frontier will invest in broadband deployment in South Carolina. He explained that Frontier has made broadband available to over 90% of the households in its service territory and considers broadband service to be a significant business growth opportunity. He also described Frontier's successful promotions where customers who purchased Frontier's voice and high speed internet package with a two-year commitment received a free Dell brand personal computer.

The evidence supporting this finding is contained in the Joint Application and in the testimony of witnesses McCarthy and Rozycki.

12. DOD raised concerns about whether the pension and retiree health plans which will transfer to Frontier are fully funded. DOD has asserted that the Commission has

jurisdiction over these issues as they relate to the financial condition of Frontier. Verizon, Frontier, and ORS dispute whether the Commission has jurisdiction over pension and retiree health plan issues. Without addressing whether the Commission has jurisdiction over these issues, the Commission notes the Applicants have made appropriate arrangements with respect to successor pension and retiree health plans for Verizon South employees who will become NewILEC employees. Under the parties' Employee Matters Agreement, the assets to be transferred to the successor Frontier tax-qualified pension plans must, in the aggregate, be sufficient to fully fund the plans' aggregate projected liabilities from an accounting perspective. If the aggregate assets transferred from each of the individual plans based on the Internal Revenue Code rules are less than the aggregate projected benefit liabilities from an accounting perspective (determined as of the closing of the merger), then Verizon will pay to Frontier or to the new Frontier pension plans an amount equal to such underfunding. If this amount is paid to Frontier, Frontier must contribute that amount to one or more of the underfunded pension plans.

13. The Commission concludes certain conditions on the grant of the Joint Application are in the public interest. The Commission adopts and includes by reference the provisions set forth in the Settlement Agreement appended to this Order as Attachment 1. Additionally, the Commission acknowledges that Frontier has made certain public interest commitments to encourage approval of the transfer.

14. The Commission adopts the conditions recommended by ORS Witness Rozycki and agreed upon by the Applicants. Those conditions are as follows: (1) a commitment

to be the Carrier of Last Resort and an ETC in the areas Frontier will serve; (2) a commitment to abide by the rules established for the South Carolina Universal Service Fund and the Interim LEC Fund; (3) a commitment to abide by the requirements associated with reporting and payment of gross receipts assessments in South Carolina; and (4) a commitment by Frontier to resolve quality of service issues promptly, including repairing or upgrading the network as necessary.

III. CONCLUSIONS OF LAW

Based on the Findings of Fact contained herein, the Settlement Agreement executed by DOD, ORS, and the Applicants, the Letter Agreement between SCTC, NewILEC and Frontier, and the record of the instant proceeding, the Commission makes the following Conclusions of Law.

1. The Applicants request approval under S.C. Code § 58-9-310, which provides that "[n]o telephone utility, without the approval of the Commission after due hearing and compliance with all other existing requirements of the laws of the State in relation thereto, may sell, transfer, lease, consolidate, or merge its property, powers, franchises, or privileges or any of them." The Commission approves transactions under this statute if they are in the public interest. The Commission concludes that, as presented, this transaction is in the public interest.

2. We conclude that as part of the approval of the proposed transaction, Verizon South may withdraw from the market pursuant to S.C. Code Ann. § 58-9-300 upon completion of the merger of NCH with and into Frontier.

3. We conclude that because Verizon South commenced operations before June 16, 1950, it has provided telephone service in its territory as a telephone utility subject to the Commission's jurisdiction pursuant to S.C. Code Ann. § 58-9-10, *et. seq.* (Supp. 2008). We conclude that the authority by which Verizon South operated as an ILEC shall be transferred to NewILEC effective as of the date of the completion of the merger of NCH with and into Frontier. The Applicants shall advise the Commission and ORS by letter of the date of the merger date within ten days after completion. This Order shall constitute NewILEC's certificate of public convenience and necessity to operate as an ILEC within Verizon South's current South Carolina service territory and NewLD's certificate of public convenience and necessity to provide competitive interLATA and intraLATA resold telecommunications services (except local exchange services) throughout South Carolina, effective as of the merger date. By adopting the authority previously held by Verizon South, NewILEC shall have the same duties and responsibilities that were previously held by Verizon South, including, but not limited to, honoring wholesale carrier agreements.

4. We conclude that NewILEC is authorized to operate under an alternative regulatory plan pursuant to S.C. Code Ann. § 58-9-576(B) in accordance with the alternative regulation filings submitted by Verizon South.

5. We conclude that the transfer of Verizon South's payphone certificate of public convenience and necessity ("CPCN") issued in Order No. 97-401, Docket No. 85-150-C, to NewILEC is in the public interest.

6. We conclude that the grant of a CPCN to provide competitive interLATA and intraLATA resold telecommunications (except local exchange services) throughout South Carolina, subject to alternative regulation pursuant to the plan outlined in Order No. 95-

1734 and 96-55 in Docket No. 95-661-C, to NewLD is in the public interest. This is the same alternative regulatory treatment that applies to VLD and VES. This will enable NewLD to conduct the long distance business transferred to it by VLD and VES.

7. We conclude that the requirements of S.C. Code Ann. § 58-3-230 should be waived with respect to the transfer of customers from VLD and VES to NewLD as VLD and VES will comply with all federal and state requirements regarding the transfer of these customers including providing customer notice as required by federal law of the new billing entity.

8. We conclude that designating NewILEC as an ETC and transferring Verizon South's existing ETC status to NewILEC is in the public interest because it will continue to provide substantially the same services, service rates, and service terms and conditions to the end-user local exchange customers previously served by Verizon South, which was previously designated as an ETC in Order No. 97-958. Verizon South's ETC status will be terminated upon completion of the merger of NCH with and into Frontier.

9. We note that Frontier, Verizon, ORS and DOD agree that the adoption of the provisions in the Settlement Agreement resolves "any and all disputes or contested issues with regard to the Joint Application." In addition, Frontier, Verizon, ORS and SCTC support the adoption of the Letter Agreement which provides among other things that SCTC will not oppose the Joint Application. We adopt both the Settlement Agreement and the Letter Agreement.

IV. CONCLUSION

Granting the relief sought in the Joint Application is in the public interest. Frontier currently serves more than 2.2 million access lines in 24 states and has the managerial, technical, and financial capability to operate the Verizon South exchanges in South Carolina. Frontier has expressed its intent through sworn testimony to invest in and deploy additional broadband services with a focus on rural and suburban markets. Based on this and the other evidence in the record, we conclude that this transfer is in the public interest.

IT IS THEREFORE ORDERED:

1. The Joint Application as filed is approved subject to the conditions set forth in Attachments 1 and 2 and incorporated herein by reference.
2. NewILEC and NewLD shall contribute to the State Universal Service Fund in compliance with Commission Orders.
3. NewILEC and NewLD shall comply with all Commission orders, rules and regulations.
4. NewILEC shall operate under the alternative regulatory plan as set forth by S.C. Code Ann. § 58-9-576(B) in accordance with the alternative regulation filings submitted by Verizon South and NewLD shall operate under the alternative regulatory plan as set forth in Order No. 1995-1734 and 96-55 in Docket No. 95-661-C.
5. The request for a waiver of S.C. Code Ann. § 58-3-230 (Supp. 2008) is granted.

6. Effective upon completion of the merger of NCH with and into Frontier, Verizon South's authority to operate as an ILEC in South Carolina shall be transferred to NewILEC and this Order will constitute NewILEC's certificate of public convenience to operate as an ILEC in the service territory previously held by Verizon South. All prior Commission orders applying to Verizon South shall apply to NewILEC unless any such requirements are expressly waived by this Commission. NewILEC shall be the ETC and Carrier of Last Resort for the Verizon South service areas in South Carolina.

7. By this Order, the payphone certificate issued to Verizon South pursuant to Order No. 97-401, Docket No. 85-150-C is transferred to NewILEC, upon completion of the merger of NCH with and into Frontier.

8. By this Order, NewLD is issued a certificate of public convenience to operate as an interexchange carrier, effective upon completion of the merger of NCH with and into Frontier.

9. The request for Verizon South to withdraw from operation in the State pursuant to S.C. Code Ann. § 58-9-300 (Supp. 2008) is granted upon completion of the merger of NCH with and into Frontier, at which time Verizon South's ETC status will be terminated.

10. Frontier and its subsidiaries operating in South Carolina shall meet its public interest commitments by:

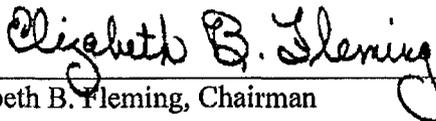
- a. providing high quality service as described above;
- b. significantly expanding the availability of broadband internet access in their South Carolina territories, and Frontier shall provide to ORS

- and this Commission, on an annual basis for five years after closing, information on broadband investment and availability in the South Carolina exchanges being acquired.;
- c. providing a free personal computer to its customers as a promotional offering when these customers sign-up for broadband service with telephone and agree to the time commitment required, and providing ORS with annual reports on the implementation progress of such promotions;
 - d. providing performance operating data to the Commission and the South Carolina Office of Regulatory Staff ("ORS") on a quarterly basis for a two year period and then annually for the following three years, totaling five years of performance data monitoring. Publication of this data is to be via ORS's website;
 - e. using the savings from their reduction of corporate dividends by 25 percent, to invest in this transfer's market, and providing ORS information on dividends and net earnings at the corporate level;
 - f. providing ORS with complaint data for a period of two years that will be published along with the operating data;
 - g. participating in any proceeding the ORS may bring before the Commission without objection should ORS determine that Frontier's performance is lacking in any manner, provided Frontier has been given a reasonable opportunity to correct the deficiency;

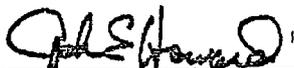
- h. operating substantially the same back office support, computer systems, and network systems used by Verizon prior to closing. For a five year period, Frontier shall notify ORS and PSC of any plans to substantially change or replace former Verizon systems. Frontier shall provide assurance that all systems have been properly tested and certified before any irreversible cutovers, committing to operate those systems with Verizon personnel who will continue on, but as employees of Frontier;
- i. maintaining substantially all of the Verizon employees in South Carolina, who will become employees of Frontier, and who will continue to perform the same jobs and functions. Frontier shall notify ORS and the PSC of the number of employees actually transferred to Frontier; Frontier shall provide notice of major layoffs or office closures for 3 years after the transaction is completed;
- j. maintaining the Senior Level area general manager, and two general managers (Sumter and Myrtle Beach). Frontier shall identify these individuals and their work locations to PSC and ORS; and
- k. maintaining the pension plans of those Verizon employees who transfer to Frontier as specified above.

11. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Elizabeth B. Fleming, Chairman

ATTEST:


John E. Howard, Vice-Chairman
(SEAL)

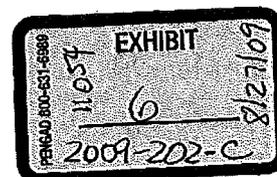
BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2009-220-C

IN RE: Joint Application of Frontier Communications Corporation, New Communications of the Carolinas Inc., New Communications Online and Long Distance Inc., Verizon South Inc., Verizon Long Distance Inc. and Verizon Enterprise Solutions LLC for Approval of the Sale of Assets and the Transfer of Authority and Certificates

**SETTLEMENT AGREEMENT
AND
JOINT REQUEST FOR THE
SOUTH CAROLINA
PUBLIC SERVICE COMMISSION
TO APPROVE JOINT APPLICATION**

As a result of continuing discussions between the Office of Regulatory Staff ("ORS"), the Department of Defense and Federal Executive Agencies ("DOD"), Verizon South Inc. ("Verizon") and Frontier Communications Corporation ("Frontier"), to resolve various differences, these identified parties to the above-referenced proceeding have entered into this Settlement Agreement ("Agreement"), which resolves any and all disputes or contested issues with regard to the Joint Application filed by Verizon and Frontier ("Joint Application") for approval in this proceeding by the South Carolina Public Service Commission (the "Commission").

The specific terms of this Agreement among the above-identified parties include the following:



1. After all necessary regulatory approvals have been obtained and the transaction is closed, Frontier will file on a quarterly basis with the Commission and ORS the information identified below and agrees that such information will be immediately available to the public on the ORS website for the first two years after such closing. During the first two years after closing, Frontier will submit to the Commission and to ORS on a quarterly basis the following six Federal Communication Commission ("FCC") Service Quality Indicators as included in the FCC 43-05 Reports: (1) installation interval (days); (2) percentage local installation commitments not met; (3) trouble reports per month per hundred lines; (4) complaints to regulatory agencies; (5) repeat out-of-service trouble reports as a percentage of initial out-of-service trouble reports; and (6) out-of-service repair interval (hours). During the first two years after closing, Frontier also will submit to the Commission and to ORS on a quarterly basis the five South Carolina Standards for Telecommunication Services service quality reports that Verizon South Inc. currently is required to submit to the Commission and ORS today. The ORS has agreed to make public the information submitted by Frontier in accordance with this Agreement and immediately place such information on the ORS website. At the conclusion of the first two-year quarterly submission process, Frontier has agreed that it will submit to the Commission and the ORS all

such information identified in this Agreement and that the ORS will post such information on its website on a yearly basis for the following three years.

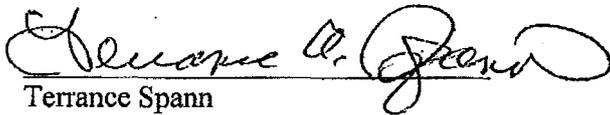
2. In addition to the above-referenced FCC Service Quality Indicators and South Carolina Standards for Telecommunication Services, Frontier also agrees to submit in the same report referenced in paragraph 1, above, the quarterly dividend and net income figures for Frontier Communications Corporation. ORS has agreed to include and publish such information in the quarterly reports required for the first two years of this Agreement and in the yearly reports for the following three years on the website.
3. In addition to the information identified in paragraphs 1 and 2, above, ORS has agreed to collect and report on the number of Service Quality/Performance Consumer Complaints. Such information will be reported on the ORS website on a quarterly basis for the first two years of this Agreement and on a yearly basis for the following three-year period.
4. If ORS determines, after appropriate notice and communication with Frontier, that Frontier is not maintaining and achieving satisfactory performance results, ORS at its sole discretion may petition the Commission to institute an expedited proceeding to examine any allegations of inadequate service quality. Frontier agrees that it will not oppose the initiation of such a proceeding by ORS with the Commission

as long as ORS has first given Frontier a reasonably opportunity to correct such alleged problems prior to any filing with the Commission.

5. In addition to paragraphs 1 through 4 above, the above-referenced parties agree that they will advise the Commission during the scheduled hearing set for August 27, 2009, at 2:30 p.m., that they request the Commission approve the Joint Application and that the Commission's approval of this Agreement resolves any and all issues otherwise identified in any pre-filed or reply testimony. The parties have agreed they will place their direct and reply testimony into the record before the Commission and that each witness will provide the Commission with a summary of their testimony. The parties have agreed that each witness placed on the stand by the above-referenced parties will confirm that the approval of this Agreement resolves all outstanding issues and contentions and will request that the Commission approve both the Agreement and the Joint Application as filed jointly by Verizon and Frontier. The parties have expressly agreed that the Commission should have the opportunity to ask any questions they might have of any witness placed on the stand by any party. In consideration for this Agreement, the above-referenced parties have agreed that they will not seek to cross-examine any of the parties' witnesses in a joint effort to expedite the hearing conducted by the Commission.

This Agreement includes all of the terms and conditions negotiated by and among the parties and represents a joint effort to consider and finally resolve various concerns raised by DOD and ORS. The parties to this Agreement, as reflected by the signatures attached below, respectfully request the Commission approve this Agreement and approve the Joint Application as soon as reasonably possible. The below-referenced counsel respectfully request that this Agreement be included in the record in the above-referenced proceeding.

Respectfully submitted this 27th day of August, 2009



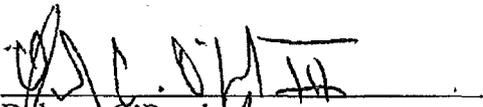
Terrance Spann
Counsel for DOD and FEA



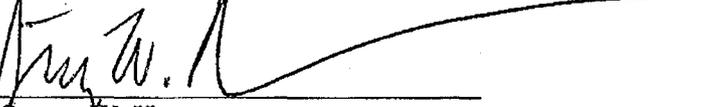
Nanette Edwards
Counsel to ORS



Kevin Saville,
Counsel to Frontier



Dillaney O'Roark,
Counsel to Verizon



Steven W. Hamm,
Richardson Plowden & Robinson, PA
Counsel to Verizon and Frontier

MCNAIR
ATTORNEYS

August 27, 2009

M. John Bowen, Jr.

jbowen@mcnair.net
T (803) 799-9800
F (803) 763-3219

Steven W. Hamm, Esquire
Richardson, Plowden, Carpenter & Robinson
Post Office Drawer 7788
Columbia, South Carolina 29202

Re: Joint Application of Frontier Communications Corporation
("Frontier"), New Communications of the Carolinas Inc.
("NewILEC"), New Communications Online and Long Distance Inc.
("NewLD"), Verizon South Inc. ("Verizon South"), Verizon Long
Distance LLC ("VLD") and Verizon Enterprise Solutions LLC
("VES")
Docket No. 2009-202-C

Dear Steven:

Following is a summary of our agreement to resolve our respective
clients' concerns in the above-referenced matter.

New Communications of the Carolinas Inc. ("NewILEC") is seeking to
step into the shoes of Verizon South Inc. ("Verizon") as an eligible
telecommunications carrier and incumbent local exchange carrier in South
Carolina. If the transaction is approved by the Commission as proposed by the
Joint Applicants, NewILEC will be eligible to receive funding from the South
Carolina Universal Service Fund ("State USF") and the South Carolina Interim
LEC Fund ("ILF"). The South Carolina Telephone Coalition ("SCTC"), a party
to the proceeding, has concerns about the potential impact that approval of the
Joint Application could have on the State USF and ILF.

NewILEC and its parent company, Frontier Communications
Corporation ("Frontier"), have no plans to change the existing methodology of
the State USF or the ILF, or to increase the amount they are eligible to receive
from either fund, whether through a change in the rules, guidelines and
procedures governing those funds or otherwise.

NewILEC and Frontier agree and commit that they will not take any
action to effect such a change in either fund or take any actions that would be
harmful to the ability of the State's rural LECs to continue recovery funding
through the State USF or ILF, for a period of at least three (3) years from the
date the Public Service Commission of South Carolina ("Commission") issues
its final order approving the Joint Application in this matter. By agreeing to this

McNair Law Firm, P. A.
The Tower at 1301 Gervais
1301 Gervais Street, 11th Floor
Columbia, SC 29201

Mailing Address
P.O. Box 11390
Columbia, SC 29211

mcnair.net



concession, the SCTC is not suggesting or conceding that it would be appropriate for NewILEC and Frontier to make any changes to the State USF or ILF at the conclusion of the three-year period, and expressly reserves all rights, for itself and its individual members, to oppose any such action.

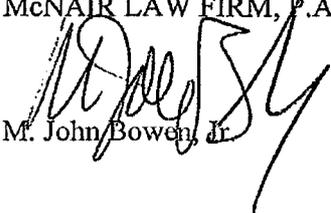
In consideration for and based upon the above assurances and commitment on the part of NewILEC and Frontier, the SCTC agrees that it will not oppose the Joint Application in this matter.

If this comports with your understanding of our discussions and the commitment of your clients, please so indicate by your signature below.

My signature below indicates consent to this agreement on behalf of my client, the South Carolina Telephone Coalition.

Very truly yours,

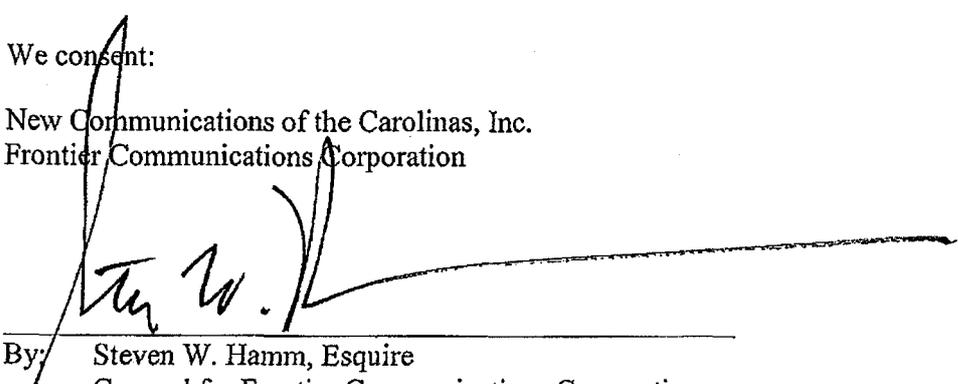
McNAIR LAW FIRM, P.A.


M. John Bowen, Jr.

MJB,Jr.:rwm

We consent:

New Communications of the Carolinas, Inc.
Frontier Communications Corporation


By: Steven W. Hamm, Esquire
Counsel for Frontier Communications Corporation
And New Communications of the Carolinas, Inc.

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Joint Application of Verizon California Inc. d/b/a)
Verizon Nevada ("Verizon"), Frontier Communications)
Corporation, and New Communications of the)
Southwest ("New Communications") for approval of a)
transfer of control, the transfer of certificate CPC 2 Sub)
10 from Verizon to New Communications, and the)
designation of New Communications as an Eligible)
Telecommunications Carrier.)
_____)

Docket No. 09-06005

At a general session of the Public Utilities
Commission of Nevada, held at its offices
on October 28, 2009.

PRESENT: Chairman Sam A. Thompson
Commissioner Jo Ann P. Kelly
Commissioner Rebecca D. Wagner
Assistant Commission Secretary Nancy Krassner

ORDER

The Public Utilities Commission of Nevada ("Commission") makes the following
findings of fact and conclusions of law:

1. On June 4, 2009, Verizon California Inc. d/b/a Verizon Nevada ("Verizon"),
Frontier Communications Corporation ("Frontier"), and New Communications of the Southwest
Inc. ("NC Southwest"), to be renamed Frontier Communications of the Southwest ("Frontier
Southwest") following the closing, (collectively "the Applicants"), filed a Joint Application with
the Public Utilities Commission of Nevada ("Commission") for approval of a transfer of control,
the transfer of Certificate of Public Convenience and Necessity ("CPC") 2 Sub 10 from Verizon
to NC Southwest, and the designation of NC Southwest as an Eligible Telecommunications
Carrier ("ETC"). This matter was designated as Docket No. 09-06005.

2. The Joint Application was filed pursuant to the Nevada Revised Statutes ("NRS")

and the Nevada Administrative Code ("NAC"), Chapters 703 and 704, including but not limited to, NRS 704.329 and NRS 704.410.

3. On June 22, 2009, the Commission issued a Notice of Joint Application and Notice of Prehearing Conference.

4. The Regulatory Operations Staff of the Commission ("Staff") participates in this Docket as a matter of right pursuant to NRS 703.301.

5. On July 17, 2009, a Prehearing Conference was held, attended by the Applicants and Staff (collectively "the Parties"), and a procedural schedule was established.

6. On July 29, 2009, the Commission issued a Notice of Hearing and the Presiding Officer issued a Procedural Order adopting a hearing and testimony schedule. On July 31, 2009, the Presiding Officer issued a Revised Procedural Order.

7. On August 21, 2009, the Commission held a hearing. During the hearing the Parties requested an amended procedural schedule. The hearing was continued until October 20, 2009, provided a Stipulation had been reached by 5:00 p.m. on October 19, 2009. If no Stipulation had been reached by that time, the Parties agreed the hearing would be continued until November 10, 2009, with pre-filed testimony filed by the parties filed prior to hearing according to a schedule established at the hearing.

8. On September 1, 2009, the Presiding Officer issued Procedural Order No. 2, reflecting the amended procedural schedule agreed to at the hearing.

9. On October 20, 2009, the Commission held a continued hearing, and the Parties provided a status report to the Commission. Though a Stipulation had not been filed October 19, 2009, the Parties requested that the hearing be continued until October 23, 2009.

10. On October 21, 2009, the Parties filed a Stipulation resolving all matters in the proceeding.

11. On October 23, 2009, the Commission held a continued hearing, at which time the Stipulation was presented to the Presiding Officer and the Application and Stipulation were marked as exhibits and moved into evidence.

12. The Commission finds that the Stipulation, attached hereto and incorporated herein as Attachment 1, is a consensus resolution of the issues pursuant to the negotiations of the Parties, and as such, is a reasonable recommendation and resolution of the issues in this proceeding.

13. The Commission finds that the Stipulation is in the public interest to grant the Application as modified by the Stipulation.

THEREFORE, based on the foregoing findings of fact and conclusions of law it is hereby ORDERED that:

1. The Stipulation filed in Docket No. 09-06005 on October 21, 2009, attached hereto and incorporated as Attachment 1, is ACCEPTED.

2. The Joint Application of Verizon California Inc. d/b/a Verizon Nevada, Frontier Communications Corporation, and New Communications of the Southwest Inc., (to be renamed Frontier Communications of the Southwest following the closing), for approval of a transfer of control, the transfer of Certificate of Public Convenience and Necessity 2 Sub 10 from Verizon to New Communications of the Southwest, Inc., and the designation of New Communications of the Southwest, Inc. as an Eligible Telecommunications Carrier is GRANTED in accordance with the Stipulation.

3. The Commission Secretary shall ISSUE Certificate of Public Convenience and Necessity 2 Sub 11 to New Communications of the Southwest, Inc., which shall cancel and supersede Certificate of Public Convenience and Necessity 2 Sub 10.

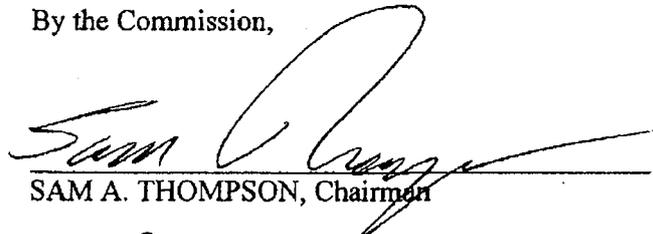
4. Pursuant to NAC 704.680461 New Communications of the Southwest, Inc. is hereby designated as an Eligible Telecommunications Carrier in Nevada.

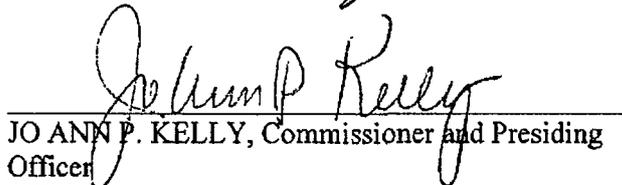
5. New Communications of the Southwest, Inc. shall adopt the existing tariffs of Verizon California Inc. d/b/a Verizon Nevada.

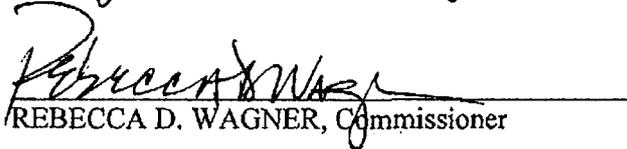
6. The provisions cited in Paragraphs 2 through 5, above, will be operative once the Commission has been notified by the Regulatory Operations Staff of the Commission that the transaction has closed.

7. The Commission may correct any errors that may have occurred in the drafting or issuance of this Order without further proceedings.

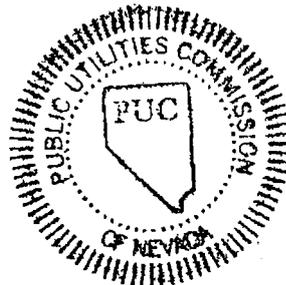
By the Commission,


SAM A. THOMPSON, Chairman


JO ANN P. KELLY, Commissioner and Presiding Officer


REBECCA D. WAGNER, Commissioner

Attest: 
NANCY KRASSNER
Assistant Commission Secretary



Dated: Carson City, Nevada

11/16/09
(SEAL)

ATTACHMENT 1

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Joint Application of Verizon California Inc. d/b/a)
Verizon Nevada ("Verizon"), Frontier)
Communications Corporation, and New)
Communications of the Southwest Inc. ("New)
Communications") for approval of a transfer of)
control, the transfer of certificate CPC 2 Sub 10)
from Verizon to New Communications, and the)
designation of New Communications as an Eligible)
Eligible Telecommunications Carrier.)

Docket No. 09-06005

STIPULATION

Verizon California Inc. d/b/a Verizon Nevada ("Verizon"), Frontier Communications Corporation ("Frontier"), and New Communications of the Southwest Inc. to be renamed Frontier Communications of the Southwest after closing (hereinafter "Frontier Southwest") (collectively "the Applicants"), and the Regulatory Operations Staff ("Staff") of the Public Utilities Commission ("Commission") (collectively "the Parties"), by and through their respective attorneys, hereby submit this Stipulation for Commission approval. This Stipulation is filed pursuant to Nevada Administrative Code ("NAC") 703.750 and 703.845 of the Commission's Rules of Practice and Procedure in full settlement of all matters at issue in the above-captioned proceeding. This Stipulation has been executed and is supported by each of the Parties to this proceeding.

RECITALS

WHEREAS, on May 13, 2009, Frontier, Verizon and New Communications Holdings, Inc. entered into an Agreement and Plan of Merger under which Frontier will acquire approximately 4.8 million access lines and certain related assets owned by subsidiaries of Verizon in various states including Nevada ("the Transaction"); and

WHEREAS, on June 4, 2009, the Applicants filed a Joint Application with the Commission ("Joint Application") for approval of a transfer of control, the transfer of Certificate of Public Convenience and Necessity ("CPC") 2 Sub 10 from Verizon to Frontier Southwest, and the designation of Frontier Southwest as an Eligible Telecommunications Carrier ("ETC"). This matter was designated as Docket No. 09-06005; and

WHEREAS, the Joint Application was filed pursuant to the Nevada Revised Statutes and NAC, Chapters 703 and 704, including but not limited to, NRS 704.329 and NRS 704.410; and

WHEREAS, on June 22, 2009, the Commission issued a Notice of Joint Application and Notice of Prehearing Conference; and

WHEREAS, on July 17, 2009, a Prehearing Conference was held and a procedural schedule was established at the Prehearing Conference; and

WHEREAS, on July 29, 2009, the Commission issued a Notice of Hearing and the Presiding Officer issued a Procedural Order adopting a hearing and testimony schedule; and

WHEREAS, on August 21, 2009, a hearing was held. During the hearing, the Parties requested an amended procedural schedule; and

WHEREAS, on September 1, 2009, Procedural Order No. 2 was issued by the Presiding Officer; and

WHEREAS, Staff has conducted extensive discovery involving numerous issues in Docket No. 09-06005; and

WHEREAS, on August 21, 2009, Frontier and Verizon filed the requisite Hart-Scott-Rodino notification with the Federal Trade Commission and the Department of Justice. After completing their review and determining that no enforcement action was necessary, the

agencies granted early termination of the 30-day waiting period on September 1, 2009 pursuant to Section 7A(b)(2) of the Clayton Act and Sections 803.10(b) and 803.11(c) of the Pre-merger Notification Rules; and

WHEREAS, on May 28 and June 30, 2009, Verizon and Frontier filed a series of applications pursuant to section 214 and 310(d) of the Communications Act of 1934, as amended, seeking Federal Communications Commission ("FCC") approval for various assignments and transfers of control of licenses and authorizations in connection with the proposed Transaction, and FCC review is underway; and

WHEREAS, during the course of Staff's investigation herein, Staff identified a need for: 1) the reporting requirement as set forth in Paragraph 6 below; and 2) the capital expenditures as set forth in Paragraphs 8 and 9 below. The reporting requirements will allow Staff to monitor the operations of Frontier and Frontier Southwest. Given the nature of the merged systems, the capital expenditures as outlined in Paragraphs 8 and 9 and the reporting requirements set forth in Paragraph 6 will assist in ensuring that the resulting service, after completion of the proposed transaction, will at a minimum be unchanged and therefore consistent with the public interest; and

WHEREAS, the Parties have agreed to resolve all issues pertaining to this docket in the manner described below; and

WHEREAS, the Parties submit that the Commission's approval of this Stipulation is in the public interest.

AGREEMENT

Based upon the mutual agreements reflected in this Stipulation, the Parties respectfully request that the Commission issue an order authorizing: (1) the transfer of control described in

the Joint Application subject to the conditions enumerated herein; (2) the issuance of a new CPC to Frontier Southwest; (3) the designation of Frontier Southwest as an ETC; and (4) the adoption of Verizon's existing tariff by Frontier Southwest.

1. Subject to the terms and conditions set forth in this Stipulation, Staff agrees to support the Joint Application in Docket No. 09-06005 filed by Verizon, Frontier and Frontier Southwest.

2. The Parties agree that neither Frontier Southwest nor Frontier shall file a general rate increase application that would result in rate increases becoming effective prior to the third anniversary of the closing of the transaction. Notwithstanding the 36-month restriction on rate changes, Frontier Southwest and Frontier will be permitted to request reasonable recovery for the impact of changes of law or an order issued by the FCC or this Commission that materially impact the operations of Frontier Southwest or Frontier. Nothing herein shall prevent a party from opposing such a request.

3. Neither Frontier Southwest nor Frontier will be restricted from filing an application to be regulated as a competitive supplier as provided in NRS 704.68869. If the Commission grants Frontier's or Frontier Southwest's application to be regulated as a competitive supplier, Frontier and Frontier Southwest nonetheless agree not to increase "basic network service" (as defined in Nevada Revised Statutes Sec. 704.006) rates for 36 months following the closing of the Transaction. Notwithstanding the 36-month restriction on rate changes, after December 31, 2011, Frontier Southwest and Frontier will be permitted to request reasonable recovery for the impact of change of law or an order issued by the Federal Communications Commission ("FCC") or this Commission that materially impact the operations

of Frontier Southwest or Frontier. Nothing herein shall prevent a party from opposing such a request.

4. Frontier and Frontier Southwest will not seek to recover from ratepayers any costs of the Transaction in any future request for an adjustment of their respective regulated local service rates. Examples of costs of the Transaction (which may or may not exist in this transaction) are any indemnification of Verizon shareholders for Transaction-related income tax liability, acquisition premium, goodwill, or customer lists recorded in the accounting records of Frontier or Frontier Southwest and costs recorded on the books of Frontier or Frontier Southwest including: Transaction application costs; outside accounting fees; bank facility fees; broker/investment banker fees; outside consultant fees; attorneys' fees; severance/employee retention costs incurred during the first 36-months following the close of the Transaction; and any branding change costs. No Transaction costs will be included in rate base, amortized to regulated expenses, or deferred to future rate periods for recovery in regulated local service rates.

5. Frontier Southwest will provide a detailed listing of transferred assets showing, at the date of transfer, the net book value ("NVB") and income tax basis of each class of assets, and the accumulated deferred income taxes associated with the difference. These values shall be carried forward for future ratemaking purposes and will be adjusted to reflect the passage of time or subsequent disposition.

6. Beginning with the first full quarter ending after the closing of the Transaction, and for each quarter thereafter through the quarter ending three (3) years after the closing of the Transaction ("Reporting Period"), Frontier Southwest and Frontier agrees to provide Staff a confidential report ("Service Quality Report") that sets forth the following: Voice Total Trouble Reports per 100 Access Lines; Voice Percentage Commitment Met-Service

Orders; Voice Average Service Order Completion Interval (Days); Voice Average Out of Service Repair Completion Intervals (Hours); Number of Commission Complaints per 10,000 lines; Business Office Answer Time; and Voice Percentage Trouble Cleared Within 24 Hours. This Service Quality Report shall be provided no later than 30 business days after the end of each quarter during the Reporting Period. If Staff believes that there are service quality deficiencies, it will first provide written notice and discuss them with Frontier and Frontier Southwest and then Staff may petition the Commission to investigate the alleged service quality deficiencies in an expedited manner.

7. The Parties jointly recommend that the Commission approve the proposed Transaction between Verizon and Frontier subject to the following conditions:

a. Frontier and Verizon will provide the Commission with a report providing notice of the terms of each new debt issuance of approximately \$3.3 billion associated with financing of this Transaction by New Communications Holdings Inc. The report will be provided within seven (7) days after the date of the consummation of such financing or debt issuance and state: the principal amount, maturity date, optional redemption terms, yield, subordination ranking, guarantors, covenants, change of control conditions, and method of distribution.

b. Frontier and Frontier Southwest acknowledge that Frontier and Frontier Southwest will continue to provide the Commission and Staff access to all books, records, accounts, documents and data, necessary for the Commission and Staff to perform their respective statutory duties.

c. Verizon and Frontier will provide Staff and file with the Commission a copy of the opinion of the independent valuation firm provided pursuant to the

terms of Section 8.1(k) of the Merger Agreement attesting to the solvency of Frontier on a pro forma basis immediately after the closing of the Transaction and reflecting the financing thereof. This solvency opinion shall be filed and served on Staff within one business day of its delivery to Verizon and Frontier.

d. Frontier agrees that if either Frontier Southwest or Frontier file a general rate case application seeking increases in rates after the time periods identified in paragraph 2, above, Frontier Southwest and Frontier will not seek to recover interest as part of that ratemaking proceeding in excess of 9.5% on the aggregate principal amount of the special cash payment debt financing of approximately \$3.3 billion associated with the Transaction.

e. New Communications Online and Long Distance Inc. will file an application for a certificate of public convenience and necessity to provide intrastate telecommunications service as a competitive supplier in Nevada.

8. Frontier Southwest commits it will make a minimum of \$10.5 million in capital expenditures associated with providing service in Nevada over the first three (3) years following closing of the Transaction. For purposes of this provision, capital expenditures include any direct or multi-jurisdictional investment or expenditures, including expenditures associated with the route redundancy project described in #9 below, facilities and equipment deployed outside of Nevada used to provide service in Nevada and the removal, relocation or movement of facilities associated with the use of the right of way. Frontier Southwest will provide an annual report by May 15th of each calendar year to the Commission showing capital expenditures, including any allocation of multi-jurisdictional investment or expenditures (including the methodology for the allocation) each year (a total of four reports) identifying the aggregate investment for the three year period following the closing.

9. Frontier Southwest agrees to: (i) provide a plan to Staff within twelve months after the closing of the Transaction which provides for emergency traffic and general traffic redundancy in Douglas County, Nevada; and (ii) within 24 months after closing, expend up to \$1.0 million to complete the project to provide route redundancy, including E911 service, in Douglas County, Nevada. The redundancy facilities should be a rebuttably presumptive minimum of OC-12 or equivalent of capacity, the reasonableness of which will be reviewed and analyzed in the plan to be provided in 9(i) above. The redundancy facilities will not include switching equipment. The redundancy facilities will be physically separated. If Frontier Southwest is unable to obtain any ROWs to complete either project above, Frontier Southwest will promptly notify Staff, and Frontier Southwest and Staff will discuss alternative completion dates for the project, if necessary.

10. Verizon shall either (i) obtain a private letter ruling from the Internal Revenue Service ("IRS") that the spin-off and merger will qualify as tax-free reorganizations for United States federal income tax purposes, and that no gain or loss will be recognized by Verizon, New Communications Holdings Inc., or their shareholders with respect to either transaction (except to the extent that New Communications Holdings Inc. shareholders receive cash in lieu of fractional shares in connection with the merger), or (ii) an opinion of counsel to such effect in a form reasonably satisfactory to Verizon. The Applicants will provide a copy of the IRS private letter ruling or opinion to Staff (provided that, if Applicants rely on an opinion to satisfy all or part of this condition, the Applicants will provide a draft opinion to Staff prior to closing of the Transaction and a final opinion upon closing).

11. The Parties agree to cooperate with each other in presenting this Stipulation for approval to the Commission and to take no action, direct or indirect, in opposition

to the request for approval of the Stipulation or to fail to take any such action which could reasonably be interpreted as an opposition to this Stipulation.

12. This Stipulation embodies the entire agreement among the Parties regarding the matters at issue in the above-captioned proceeding.

13. It is expressly understood that all the terms and conditions of this Stipulation are contingent upon the closing of the Transaction between Verizon and Frontier and will not require performance by Frontier, Verizon and Frontier Southwest, or any affiliate thereof, until the closing of the Transaction.

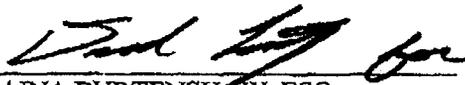
14. This Stipulation is made upon the express understanding that it constitutes a negotiated settlement. The provisions of this Stipulation are not severable and shall become effective only after the Commission has entered an Order approving this Stipulation without modification. In the event this Stipulation is not approved in whole by the Commission, it shall be deemed withdrawn, without prejudice to any testimony, claims, positions or contentions which may have been made in this proceeding by any party, and no part of this Stipulation shall be admissible in evidence or in any way described or discussed in any proceeding hereafter.

15. The provisions of this Stipulation shall not be construed as or deemed to be a precedent by any party, the Commission, and other state or federal governmental regulatory bodies with respect to any issue, principle, or interpretation or application of law and regulations, for any purpose or in connection with any proceeding before a court of law or any state or federal governmental regulatory body.

16. This Stipulation may be executed in counterparts and by facsimile or electronic signature.

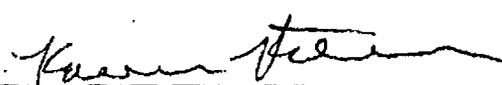
REGULATORY OPERATIONS
STAFF OF THE PUBLIC UTILITIES
COMMISSION OF NEVADA

Dated: 10/21, 2009

By: 
ALAINA BURTENSHAW, ESQ.,
Assistant Staff Counsel

VERIZON CALIFORNIA INC. d/b/a
VERIZON NEVADA, and
NEW COMMUNICATIONS OF THE
SOUTHWEST INC.

Dated: 10/21/, 2009

By: 
KAREN A. PETERSON, ESQ.

FRONTIER COMMUNICATIONS
CORPORATION

Dated: 10/21/, 2009

By: 
PATRICK M. ROSVALL, ESQ.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

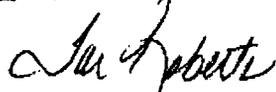
PROOF OF SERVICE

I hereby certify that I have this day served the foregoing document upon all parties of record in this proceeding by electronic mail to the recipient's current electronic mail address and mailing a copy thereof, properly addressed to:

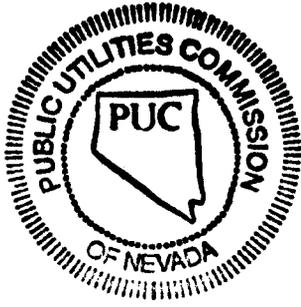
Karen A. Peterson, Esq.
Allison MacKenzie, et al
402 N. Division St.
Carson City, NV 89703
kpeterson@allisonmackenzie.com
Elaine.duncan@verizon.com
Kurt.rasmussen@verizon.com

Patrick M. Rosvall, Esq.
Cooper, White & Cooper, LLP
201 California St., 17th Fl.
San Francisco, CA 94111
prosvall@cwclaw.com
Kevin.saville@frontiercorp.com
ichicoin@czn.com

DATED at Carson City, Nevada, on the 25th day of October, 2009.



An employee of the Public Utilities
Commission of Nevada



09-06005

Public Utilities Commission of Nevada

Electronic Filing

Submitted: 10/21/2009 1:43:55 PM

Reference: 39ddc350-ac36-4a47-a5b7-f829a3ce9c5f

Filed For: Staff Counsel Division

In accordance with NRS Chapter 719,
this filing has been electronically signed and filed
by: /s UttingerTMR

By electronically filing the document(s),
the filer attests to the authenticity of the electronic signature(s) contained therein.

This filing has been electronically filed and deemed to be signed by an authorized agent or
representative of the signer(s) and
Staff Counsel Division

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Joint Application of Verizon California Inc. d/b/a)
Verizon Nevada ("Verizon"), Frontier)
Communications Corporation, and New)
Communications of the Southwest Inc. ("New)
Communications") for approval of a transfer of)
control, the transfer of certificate CPC 2 Sub 10)
from Verizon to New Communications, and the)
designation of New Communications as an Eligible)
Eligible Telecommunications Carrier.)

Docket No. 09-06005

STIPULATION

Verizon California Inc. d/b/a Verizon Nevada ("Verizon"), Frontier Communications Corporation ("Frontier"), and New Communications of the Southwest Inc. to be renamed Frontier Communications of the Southwest after closing (hereinafter "Frontier Southwest") (collectively "the Applicants"), and the Regulatory Operations Staff ("Staff") of the Public Utilities Commission ("Commission") (collectively "the Parties"), by and through their respective attorneys, hereby submit this Stipulation for Commission approval. This Stipulation is filed pursuant to Nevada Administrative Code ("NAC") 703.750 and 703.845 of the Commission's Rules of Practice and Procedure in full settlement of all matters at issue in the above-captioned proceeding. This Stipulation has been executed and is supported by each of the Parties to this proceeding.

RECITALS

WHEREAS, on May 13, 2009, Frontier, Verizon and New Communications Holdings, Inc. entered into an Agreement and Plan of Merger under which Frontier will acquire approximately 4.8 million access lines and certain related assets owned by subsidiaries of Verizon in various states including Nevada ("the Transaction"); and

WHEREAS, on June 4, 2009, the Applicants filed a Joint Application with the Commission ("Joint Application") for approval of a transfer of control, the transfer of Certificate of Public Convenience and Necessity ("CPC") 2 Sub 10 from Verizon to Frontier Southwest, and the designation of Frontier Southwest as an Eligible Telecommunications Carrier ("ETC"). This matter was designated as Docket No. 09-06005; and

WHEREAS, the Joint Application was filed pursuant to the Nevada Revised Statutes and NAC, Chapters 703 and 704, including but not limited to, NRS 704.329 and NRS 704.410; and

WHEREAS, on June 22, 2009, the Commission issued a Notice of Joint Application and Notice of Prehearing Conference; and

WHEREAS, on July 17, 2009, a Prehearing Conference was held and a procedural schedule was established at the Prehearing Conference; and

WHEREAS, on July 29, 2009, the Commission issued a Notice of Hearing and the Presiding Officer issued a Procedural Order adopting a hearing and testimony schedule; and

WHEREAS, on August 21, 2009, a hearing was held. During the hearing, the Parties requested an amended procedural schedule; and

WHEREAS, on September 1, 2009, Procedural Order No. 2 was issued by the Presiding Officer; and

WHEREAS, Staff has conducted extensive discovery involving numerous issues in Docket No. 09-06005; and

WHEREAS, on August 21, 2009, Frontier and Verizon filed the requisite Hart-Scott-Rodino notification with the Federal Trade Commission and the Department of Justice. After completing their review and determining that no enforcement action was necessary, the

agencies granted early termination of the 30-day waiting period on September 1, 2009 pursuant to Section 7A(b)(2) of the Clayton Act and Sections 803.10(b) and 803.11(c) of the Pre-merger Notification Rules; and

WHEREAS, on May 28 and June 30, 2009, Verizon and Frontier filed a series of applications pursuant to section 214 and 310(d) of the Communications Act of 1934, as amended, seeking Federal Communications Commission ("FCC") approval for various assignments and transfers of control of licenses and authorizations in connection with the proposed Transaction, and FCC review is underway; and

WHEREAS, during the course of Staff's investigation herein, Staff identified a need for: 1) the reporting requirement as set forth in Paragraph 6 below; and 2) the capital expenditures as set forth in Paragraphs 8 and 9 below. The reporting requirements will allow Staff to monitor the operations of Frontier and Frontier Southwest. Given the nature of the merged systems, the capital expenditures as outlined in Paragraphs 8 and 9 and the reporting requirements set forth in Paragraph 6 will assist in ensuring that the resulting service, after completion of the proposed transaction, will at a minimum be unchanged and therefore consistent with the public interest; and

WHEREAS, the Parties have agreed to resolve all issues pertaining to this docket in the manner described below; and

WHEREAS, the Parties submit that the Commission's approval of this Stipulation is in the public interest.

AGREEMENT

Based upon the mutual agreements reflected in this Stipulation, the Parties respectfully request that the Commission issue an order authorizing: (1) the transfer of control described in

the Joint Application subject to the conditions enumerated herein; (2) the issuance of a new CPC to Frontier Southwest; (3) the designation of Frontier Southwest as an ETC; and (4) the adoption of Verizon's existing tariff by Frontier Southwest.

1. Subject to the terms and conditions set forth in this Stipulation, Staff agrees to support the Joint Application in Docket No. 09-06005 filed by Verizon, Frontier and Frontier Southwest.

2. The Parties agree that neither Frontier Southwest nor Frontier shall file a general rate increase application that would result in rate increases becoming effective prior to the third anniversary of the closing of the transaction. Notwithstanding the 36-month restriction on rate changes, Frontier Southwest and Frontier will be permitted to request reasonable recovery for the impact of changes of law or an order issued by the FCC or this Commission that materially impact the operations of Frontier Southwest or Frontier. Nothing herein shall prevent a party from opposing such a request.

3. Neither Frontier Southwest nor Frontier will be restricted from filing an application to be regulated as a competitive supplier as provided in NRS 704.68869. If the Commission grants Frontier's or Frontier Southwest's application to be regulated as a competitive supplier, Frontier and Frontier Southwest nonetheless agree not to increase "basic network service" (as defined in Nevada Revised Statutes Sec. 704.006) rates for 36 months following the closing of the Transaction. Notwithstanding the 36-month restriction on rate changes, after December 31, 2011, Frontier Southwest and Frontier will be permitted to request reasonable recovery for the impact of change of law or an order issued by the Federal Communications Commission ("FCC") or this Commission that materially impact the operations

of Frontier Southwest or Frontier. Nothing herein shall prevent a party from opposing such a request.

4. Frontier and Frontier Southwest will not seek to recover from ratepayers any costs of the Transaction in any future request for an adjustment of their respective regulated local service rates. Examples of costs of the Transaction (which may or may not exist in this transaction) are any indemnification of Verizon shareholders for Transaction-related income tax liability, acquisition premium, goodwill, or customer lists recorded in the accounting records of Frontier or Frontier Southwest and costs recorded on the books of Frontier or Frontier Southwest including: Transaction application costs; outside accounting fees; bank facility fees; broker/investment banker fees; outside consultant fees; attorneys' fees; severance/employee retention costs incurred during the first 36-months following the close of the Transaction; and any branding change costs. No Transaction costs will be included in rate base, amortized to regulated expenses, or deferred to future rate periods for recovery in regulated local service rates.

5. Frontier Southwest will provide a detailed listing of transferred assets showing, at the date of transfer, the net book value ("NVB") and income tax basis of each class of assets, and the accumulated deferred income taxes associated with the difference. These values shall be carried forward for future ratemaking purposes and will be adjusted to reflect the passage of time or subsequent disposition.

6. Beginning with the first full quarter ending after the closing of the Transaction, and for each quarter thereafter through the quarter ending three (3) years after the closing of the Transaction ("Reporting Period"), Frontier Southwest and Frontier agrees to provide Staff a confidential report ("Service Quality Report") that sets forth the following: Voice Total Trouble Reports per 100 Access Lines; Voice Percentage Commitment Met-Service

Orders; Voice Average Service Order Completion Interval (Days); Voice Average Out of Service Repair Completion Intervals (Hours); Number of Commission Complaints per 10,000 lines; Business Office Answer Time; and Voice Percentage Trouble Cleared Within 24 Hours. This Service Quality Report shall be provided no later than 30 business days after the end of each quarter during the Reporting Period. If Staff believes that there are service quality deficiencies, it will first provide written notice and discuss them with Frontier and Frontier Southwest and then Staff may petition the Commission to investigate the alleged service quality deficiencies in an expedited manner.

7. The Parties jointly recommend that the Commission approve the proposed Transaction between Verizon and Frontier subject to the following conditions:

a. Frontier and Verizon will provide the Commission with a report providing notice of the terms of each new debt issuance of approximately \$3.3 billion associated with financing of this Transaction by New Communications Holdings Inc. The report will be provided within seven (7) days after the date of the consummation of such financing or debt issuance and state: the principal amount, maturity date, optional redemption terms, yield, subordination ranking, guarantors, covenants, change of control conditions, and method of distribution.

b. Frontier and Frontier Southwest acknowledge that Frontier and Frontier Southwest will continue to provide the Commission and Staff access to all books, records, accounts, documents and data, necessary for the Commission and Staff to perform their respective statutory duties.

c. Verizon and Frontier will provide Staff and file with the Commission a copy of the opinion of the independent valuation firm provided pursuant to the

terms of Section 8.1(k) of the Merger Agreement attesting to the solvency of Frontier on a pro forma basis immediately after the closing of the Transaction and reflecting the financing thereof. This solvency opinion shall be filed and served on Staff within one business day of its delivery to Verizon and Frontier.

d. Frontier agrees that if either Frontier Southwest or Frontier file a general rate case application seeking increases in rates after the time periods identified in paragraph 2, above, Frontier Southwest and Frontier will not seek to recover interest as part of that ratemaking proceeding in excess of 9.5% on the aggregate principal amount of the special cash payment debt financing of approximately \$3.3 billion associated with the Transaction.

e. New Communications Online and Long Distance Inc. will file an application for a certificate of public convenience and necessity to provide intrastate telecommunications service as a competitive supplier in Nevada.

8. Frontier Southwest commits it will make a minimum of \$10.5 million in capital expenditures associated with providing service in Nevada over the first three (3) years following closing of the Transaction. For purposes of this provision, capital expenditures include any direct or multi-jurisdictional investment or expenditures, including expenditures associated with the route redundancy project described in #9 below, facilities and equipment deployed outside of Nevada used to provide service in Nevada and the removal, relocation or movement of facilities associated with the use of the right of way. Frontier Southwest will provide an annual report by May 15th of each calendar year to the Commission showing capital expenditures, including any allocation of multi-jurisdictional investment or expenditures (including the methodology for the allocation) each year (a total of four reports) identifying the aggregate investment for the three year period following the closing.

9. Frontier Southwest agrees to: (i) provide a plan to Staff within twelve months after the closing of the Transaction which provides for emergency traffic and general traffic redundancy in Douglas County, Nevada; and (ii) within 24 months after closing, expend up to \$1.0 million to complete the project to provide route redundancy, including E911 service, in Douglas County, Nevada. The redundancy facilities should be a rebuttably presumptive minimum of OC-12 or equivalent of capacity, the reasonableness of which will be reviewed and analyzed in the plan to be provided in 9(i) above. The redundancy facilities will not include switching equipment. The redundancy facilities will be physically separated. If Frontier Southwest is unable to obtain any ROWs to complete either project above, Frontier Southwest will promptly notify Staff, and Frontier Southwest and Staff will discuss alternative completion dates for the project, if necessary.

10. Verizon shall either (i) obtain a private letter ruling from the Internal Revenue Service ("IRS") that the spin-off and merger will qualify as tax-free reorganizations for United States federal income tax purposes, and that no gain or loss will be recognized by Verizon, New Communications Holdings Inc., or their shareholders with respect to either transaction (except to the extent that New Communications Holdings Inc. shareholders receive cash in lieu of fractional shares in connection with the merger), or (ii) an opinion of counsel to such effect in a form reasonably satisfactory to Verizon. The Applicants will provide a copy of the IRS private letter ruling or opinion to Staff (provided that, if Applicants rely on an opinion to satisfy all or part of this condition, the Applicants will provide a draft opinion to Staff prior to closing of the Transaction and a final opinion upon closing).

11. The Parties agree to cooperate with each other in presenting this Stipulation for approval to the Commission and to take no action, direct or indirect, in opposition

to the request for approval of the Stipulation or to fail to take any such action which could reasonably be interpreted as an opposition to this Stipulation.

12. This Stipulation embodies the entire agreement among the Parties regarding the matters at issue in the above-captioned proceeding.

13. It is expressly understood that all the terms and conditions of this Stipulation are contingent upon the closing of the Transaction between Verizon and Frontier and will not require performance by Frontier, Verizon and Frontier Southwest, or any affiliate thereof, until the closing of the Transaction.

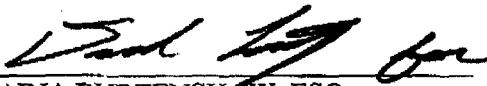
14. This Stipulation is made upon the express understanding that it constitutes a negotiated settlement. The provisions of this Stipulation are not severable and shall become effective only after the Commission has entered an Order approving this Stipulation without modification. In the event this Stipulation is not approved in whole by the Commission, it shall be deemed withdrawn, without prejudice to any testimony, claims, positions or contentions which may have been made in this proceeding by any party, and no part of this Stipulation shall be admissible in evidence or in any way described or discussed in any proceeding hereafter.

15. The provisions of this Stipulation shall not be construed as or deemed to be a precedent by any party, the Commission, and other state or federal governmental regulatory bodies with respect to any issue, principle, or interpretation or application of law and regulations, for any purpose or in connection with any proceeding before a court of law or any state or federal governmental regulatory body.

16. This Stipulation may be executed in counterparts and by facsimile or electronic signature.

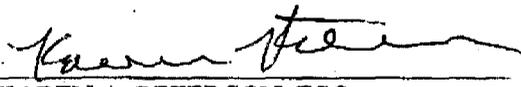
REGULATORY OPERATIONS
STAFF OF THE PUBLIC UTILITIES
COMMISSION OF NEVADA

Dated: 10/21, 2009

By: 
ALAINA BURTENSHAW, ESQ.,
Assistant Staff Counsel

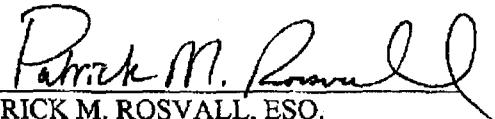
VERIZON CALIFORNIA INC. d/b/a
VERIZON NEVADA, and
NEW COMMUNICATIONS OF THE
SOUTHWEST INC.

Dated: 10/21/, 2009

By: 
KAREN A. PETERSON, ESQ.

FRONTIER COMMUNICATIONS
CORPORATION

Dated: 10/21/, 2009

By: 
PATRICK M. ROSVALL, ESQ.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

PROOF OF SERVICE

I hereby certify that I have this day served the foregoing document upon all parties of record in this proceeding by electronic mail to the recipient's current electronic mail address and mailing a copy thereof, properly addressed to:

Karen A. Peterson, Esq.
Allison MacKenzie, et al
402 N. Division St.
Carson City, NV 89703
kpeterson@allisonmackenzie.com
Elaine.duncan@verizon.com
Kurt.rasmussen@verizon.com

Patrick M. Rosvall, Esq.
Cooper, White & Cooper, LLP
201 California St., 17th Fl.
San Francisco, CA 94111
prosvall@cwclaw.com
Kevin.saville@frontiercorp.com
jchicoin@czn.com

DATED at Carson City, Nevada, on the 21st day of October, 2009.



An employce of the Public Utilities
Commission of Nevada

ATTACHMENT A

REQUIREMENTS APPLICABLE TO LOCAL EXCHANGE CARRIERS

1. New Communications of the Southwest Inc. (Applicant) shall file, in this docket, a written acceptance of the certificate granted in this proceeding within 30 days of the effective date of this order.

2. Applicant is subject to the following fees and surcharges that must be regularly remitted. Per the instructions in Appendix E to Decision (D.) 00-10-028, the Combined California PUC Telephone Surcharge Transmittal Form must be submitted even if the amount due is zero.

- a. The current 1.15% surcharge applicable to all intrastate services except for those excluded by D.94-09-065, as modified by D.95-02-050, to fund the Universal Lifeline Telephone Service Trust Administrative Committee Fund (Pub. Util. Code § 879; Resolution T-17071, dated March 1, 2007, effective April 1, 2007);
- b. The current 0.20% surcharge applicable to all intrastate services except for those excluded by D.94-09-065, as modified by D.95-02-050, to fund the California Relay Service and Communications Devices Fund (Pub. Util. Code § 2881; D.98-12-073 and Resolution T-17127, dated December 20, 2007, effective January 1, 2008);
- c. The user fee provided in Pub. Util. Code §§ 431-435, which is 0.18% of gross intrastate revenue (Resolution M-4819), dated June 7, 2007, effective July 1, 2007;
- d. The current 0.13% surcharge applicable to all intrastate services except for those excluded by D.94-09-065, as modified by D.95-02-050, to fund the California High Cost Fund-A (Pub. Util. Code § 739.3; D.96-10-066, pp. 3-4, App. B, Rule 1.C; Resolution T-17128, dated December 20, 2007, effective January 1, 2008);

- e. The current 0.45% surcharge applicable to all intrastate services except for those excluded by D.94-09-065, as modified by D.95-02-050, to fund the California High Cost Fund-B (D.96-10-066, p. 191, App. B, Rule 6.F; D.07-12-054);
- f. The current 0.25% surcharge applicable to all intrastate services except for those excluded by D.94-09-065, as modified by D.95-02-050, to fund the California Advances Services Fund (D.07-12-054); and
- g. The current 0.079% surcharge applicable to all intrastate services except for those excluded by D.94-09-065, as modified by D.95-02-050, to fund the California Teleconnect Fund (D.96-10-066, p. 88, App. B, Rule 8.G; Resolution T-17142, dated April 24, 2008, effective June 1, 2008).

Note: These fees change periodically. In compliance with Resolution T-16901, December 2, 2004, you should check the joint tariff for surcharges and fees filed by Pacific Bell Telephone Company (dba AT&T California) and apply the current surcharge and fee amounts in that joint tariff on end-user bills until further revised.

3. Applicant is a Uniform Regulatory Framework (URF) local exchange carrier. The effectiveness of its future tariffs is subject to the requirements of General Order (GO) 96-B and the Telecommunications Industry Rules (D.07-09-019).

4. Tariff filings shall reflect all fees and surcharges to which Applicant is subject, as reflected in 2 above.

5. Applicant shall file a service area map as part of its initial tariff.

6. Prior to initiating service, Applicant shall provide the Commission's Consumer Affairs Branch with the name and address of its designated contact person(s) for purposes of resolving consumer complaints. This information shall be updated if the name or telephone number changes, or at least annually.

7. Applicant shall notify the Director of the Communications Division in writing of the date that local exchange service is first rendered to the public, no later than five days after service first begins.

8. Applicant shall keep its books and records in accordance with the requirements of Ordering Paragraph 18 of D.06-08-030.

9. In the event Applicant's books and records are required for inspection by the Commission or its staff, it shall either produce such records at the Commission's offices or reimburse the Commission for the reasonable costs incurred in having Commission staff travel to its office.

10. Applicant shall file an annual report with the Director of the Communications Division, in compliance with GO 104-A, on a calendar-year basis with the information contained in Attachment B to this decision.

11. Applicant shall file an affiliate transaction report with the Director of the Communications Division, in compliance with D.93-02-019, on a calendar-year basis using the form contained in Attachment C.

12. Applicant shall ensure that its employees comply with the provisions of Pub. Util. Code § 2889.5 regarding solicitation of customers.

13. Within 60 days of the effective date of this order, Applicant shall comply with Pub. Util. Code § 708, Employee Identification Cards, and notify the Director of the Communications Division in writing of its compliance.

14. If Applicant is 90 days or more late in filing an annual report, or in remitting the surcharges and fee listed in 2 above, the Communications Division shall prepare for Commission consideration a resolution that revokes Applicant's Certificate of Public Convenience and Necessity unless it has received written permission from the Communications Division to file or remit late.

15. Applicant shall send a copy of this decision to concerned local permitting agencies no later than 30 days from the date of this order.

(END OF ATTACHMENT A)

ATTACHMENT B
ANNUAL REPORT

Copies of the following Federal Communications Commission (FCC) Automated Reporting Management Information System (ARMIS) Data (paper reports) for the Calendar Year:

FCC Report 43-01, the Annual Summary Report
FCC Report 43-02, the Uniform System of Accounts Report
FCC Report 43-03, the Joint Cost Report
FCC Report 43-04, the Access Report
FCC Report 43-07, the Infrastructure Report
FCC Report 43-08, the Operating Data Report
FCC Report 495A, the Forecast of Investment Usage Report
FCC Report 495B, the Actual Usage of Investment Report

Please submit the FCC reports to the Commission at the time of their submission to the FCC. Even if you have been granted forbearance from filing any of the above reports or tables in the above reports with the FCC, the Uniform Regulatory Framework (URF) Incumbent Local Exchange Carriers are required to continue to file with this Commission the California-specific information from their ARMIS reports pursuant to D.08-09-015, until the Commission makes further determination in a new phase of the URF proceeding.

(END OF ATTACHMENT B)

ATTACHMENT C

CALENDAR YEAR AFFILIATE TRANSACTION REPORT

1. Each utility shall list and provide the following information for each affiliated entity and regulated subsidiary that the utility had during the period covered by the Annual Affiliate Transaction Report.
 - Name;
 - U#
 - Form of organization (e.g., corporation, partnership, joint venture, strategic alliance, etc.);
 - Brief description of business activities engaged in;
 - Relationship to the utility (e.g., controlling corporation, subsidiary, regulated subsidiary, affiliate);
 - Ownership of the utility (including type and percent ownership);
 - Voting rights held by the utility and percent; and
 - Corporate officers.
2. The utility shall prepare and submit a corporate organization chart showing any and all corporate relationships between the utility and its affiliated entities and regulated subsidiaries listed in #1 above. The chart should have the controlling corporation (if any) at the top of the chart, the utility and any subsidiaries and/or affiliates of the controlling corporation in the middle levels of the chart, and all secondary subsidiaries and affiliates (e.g., a subsidiary that in turn is owned by another subsidiary or and/or affiliate) in the lower levels. Any regulated subsidiary should be clearly noted.
3. For a utility that has individuals who are classified as "controlling corporations" of the competitive utility, the utility must only report under the requirements of #1 and #2 above any affiliated entity that either a) is a public utility or b) transacts any business with the utility filing the annual report excluding the provision of tariffed services.

4. Each annual report must be signed by a corporate officer of the utility stating under penalty of perjury under the laws of the State of California (CCP 2015.5) that the annual report is complete and accurate with no material omissions.
5. Any required material that a utility is unable to provide must be reasonably described and the reasons the data cannot be obtained, as well as the efforts expended to obtain the information, must be set forth in the utility's Annual Affiliate Transaction Report and verified in accordance with Section I-F of Decision 93-02-019.
6. Utilities that do not have affiliated entities must file, in lieu of the annual transaction report, an annual statement to the commission stating that the utility had no affiliated entities during the report period. This statement must be signed by a corporate officer of the utility stating under penalty of perjury under the laws of the State of California (CCP 2015.5) that the annual report is complete and accurate with no material omissions.
7. Please also include the following information:
 - The name of the utility and the utility number assigned to the company by the Commission,
 - The doing business as (dba) name of the utility,
 - The California Taxpayer Identification Number assigned to the company by the California Secretary of State,
 - The Operating Company Number that is assigned to the company for telephone number administration purposes,
 - The Federal Communications Commission's Form 499-A Filer ID number.

(END OF ATTACHMENT C)

ATTACHMENT D

**REQUIREMENTS APPLICABLE TO NON-DOMINANT INTEREXCHANGE
CARRIERS**

1. New Communications Online and Long Distance, Inc. (Applicant) shall file, in this docket, a written acceptance of the certificate granted in this proceeding within 30 days of the effective date of this order.

2. Applicant is subject to the following fee and surcharges that must be regularly remitted. Per the instructions in Appendix E to Decision (D.) 00-10-028, the Combined California PUC Telephone Surcharge Transmittal Form must be submitted even if the amount due is zero.

- a. The current 1.15% surcharge applicable to all intrastate services except for those excluded by D.94-09-065, as modified by D.95-02-050, to fund the Universal Lifeline Telephone Service Trust Administrative Committee Fund (Pub. Util. Code § 879; Resolution T-17071, dated March 1, 2007, effective April 1, 2007);
- b. The current 0.20% surcharge applicable to all intrastate services except for those excluded by D.94-09-065, as modified by D.95-02-050, to fund the California Relay Service and Communications Devices Fund (Pub. Util. Code § 2881; D.98-12-073 and Resolution T-17127, dated December 20, 2007, effective January 1, 2008);
- c. The user fee provided in Pub. Util. Code §§ 431-435, which is 0.18% of gross intrastate revenue (Resolution M-4819), dated June 7, 2007, effective July 1, 2007;
- d. The current 0.13% surcharge applicable to all intrastate services except for those excluded by D.94-09-065, as modified by D.95-02-050, to fund the California High Cost Fund-A (Pub. Util. Code § 739.3; D.96-10-066, pp. 3-4, App. B, Rule 1.C; Resolution T-17128, dated December 20, 2007, effective January 1, 2008);

- e. The current 0.45% surcharge applicable to all intrastate services except for those excluded by D.94-09-065, as modified by D.95-02-050, to fund the California High Cost Fund-B (D.96-10-066, p. 191, App. B, Rule 6.F; D.07-12-054);
- f. The current 0.25% surcharge applicable to all intrastate services except for those excluded by D.94-09-065, as modified by D.95-02-050, to fund the California Advances Services Fund (D.07-12-054); and
- g. The current 0.079% surcharge applicable to all intrastate services except for those excluded by D.94-09-065, as modified by D.95-02-050, to fund the California Teleconnect Fund (D.96-10-066, p. 88, App. B, Rule 8.G; Resolution T-17142, dated April 24, 2008, effective June 1, 2008).

Note: These fees change periodically. In compliance with Resolution T-16901, December 2, 2004, you should check the joint tariff for surcharges and fees filed by Pacific Bell Telephone Company (dba AT&T California) and apply the current surcharge and fee amounts in that joint tariff on end-user bills until further revised.

3. Applicant is a non-dominant interexchange carrier (NDIEC). The effectiveness of its future NDIEC tariffs is subject to the requirements of General Order (GO) 96-B and the Telecommunications Industry Rules (D.07-09-019).

4. Tariff filings shall reflect all fees and surcharges to which Applicant is subject, as reflected in 2 above.

5. Applicant shall file a service area map as part of its initial tariff.

6. Prior to initiating service, Applicant shall provide the Commission's Consumer Affairs Branch with the name and address of its designated contact person(s) for purposes of resolving consumer complaints. This information shall be updated if the name or telephone number changes, or at least annually.

7. Applicant shall notify the Director of the Communications Division in writing of the date interLATA service is first rendered to the public within

five days after service begins, and again within five days after intraLATA service begins.¹

8. Applicant shall keep its books and records in accordance with the Generally Accepted Accounting Principles.

9. In the event Applicant's books and records are required for inspection by the Commission or its staff, it shall either produce such records at the Commission's offices or reimburse the Commission for the reasonable costs incurred in having Commission staff travel to its office.

10. Applicant shall file an annual report with the Director of the Communications Division, in compliance with GO 104-A, on a calendar-year basis with the information contained in Attachment E to this decision.

11. Applicant shall file an affiliate transaction report with the Director of the Communications Division, in compliance with D.93-02-019, on a calendar-year basis using the form contained in Attachment F.

12. Applicant shall ensure that its employees comply with the provisions of Pub. Util. Code § 2889.5 regarding solicitation of customers.

13. Within 60 days of the effective date of this order, Applicant shall comply with Pub. Util. Code § 708, Employee Identification Cards, and notify the Director of the Communications Division in writing of its compliance.

¹ California is divided into ten Local Access and Transport Areas (LATAs), each containing numerous local telephone exchanges. InterLATA describes services, revenues and functions relating to telecommunications originating within one LATA and terminating in another LATA. IntraLATA describes services, revenues and functions relating to telecommunications originating within a single LATA.

14. If Applicant is 90 days or more late in filing an annual report, or in remitting the surcharges and fee listed in 2 above, the Communications Division shall prepare for Commission consideration a resolution that revokes Applicant's Certificate of Public Convenience and Necessity unless it has received written permission from the Communications Division to file or remit late.

15. Applicant is exempt from Commission's Rules of Practice and Procedure 3.1(b).

16. Applicant is exempt from Pub. Util. Code §§ 816-830.

17. Applicant is exempt from the requirements of Pub. Util. Code § 851 for the transfer or encumbrance of property whenever such transfer or encumbrance serves to secure debt.

18. If Applicant decides to discontinue service or file for bankruptcy, it shall immediately notify the Communications Division's Bankruptcy Coordinator.

19. Applicant shall send a copy of this decision to concerned local permitting agencies no later than 30 days from the date of this order.

(END OF ATTACHMENT D)

ATTACHMENT E
ANNUAL REPORT

An original copy and a machine readable copy using Microsoft Word or compatible format shall be filed with the California Public Utilities Commission, State Office Building, 505 Van Ness Avenue, Room 3107, San Francisco, CA 94102-3298, no later than March 31st of the year following the calendar-year for which the annual report is submitted.

Failure to file this information on time may result in a penalty as provided for in Sections 2107 and 2108 of the Public Utilities Code.

Required information:

1. Exact legal name and U# of the reporting utility.
2. Address.
3. Name, title, address, and telephone number of the person to be contacted concerning the reported information.
4. Name and title of the officer having custody of the general books of account and the address of the office where such books are kept.
5. Type of organization (e.g., corporation, partnership, sole proprietorship, etc.).
If incorporated, specify:
 - a. Date of filing articles of incorporation with the Secretary of State.
 - b. State in which incorporated.
6. Number and date of the Commission decision granting the Certificate of Public Convenience and Necessity.
7. Date operations were begun.
8. Description of other business activities in which the utility is engaged.

A.09-06-005 ALJ/RAB/oma

9. List of all affiliated companies and their relationship to the utility.
State if affiliate is a:

- a. Regulated public utility.
- b. Publicly held corporation.

10. Balance sheet as of December 31st of the year for which information is submitted.

11. Income statement for California operations for the calendar-year for which information is submitted.

For answers to any questions concerning this report, call (415) 703-2883.

(END OF ATTACHMENT E)

ATTACHMENT F
CALENDAR YEAR AFFILIATE TRANSACTION REPORT

1. Each utility shall list and provide the following information for each affiliated entity and regulated subsidiary that the utility had during the period covered by the Annual Affiliate Transaction Report.

- Form of organization (e.g., corporation, partnership, joint venture, strategic alliance, etc.);
- Brief description of business activities engaged in;
- Relationship to the utility (e.g., controlling corporation, subsidiary, regulated subsidiary, affiliate);
- Ownership of the utility (including type and percent ownership);
- Voting rights held by the utility and percent; and
- Corporate officers.

2. The utility shall prepare and submit a corporate organization chart showing any and all corporate relationships between the utility and its affiliated entities and regulated subsidiaries in #1 above. The chart should have the controlling corporation (if any) at the top of the chart, the utility and any subsidiaries and/or affiliates of the controlling corporation in the middle levels of the chart, and all secondary subsidiaries and affiliates (e.g., a subsidiary that in turn is owned by another subsidiary and/or affiliate) in the lower levels. Any regulated subsidiary should be clearly noted.

3. For a utility that has individuals who are classified as "controlling corporations" of the competitive utility, the utility must only report under the requirements of #1 and #2 above any affiliated entity that either (a) is a

public utility or (b) transacts any business with the utility filing the annual report excluding the provision of tariff services.

4. Each annual report must be signed by a corporate officer of the utility stating under penalty of perjury under the laws of the State of California (CCP 2015.5) that the annual report is complete and accurate with no material omissions.

5. Any required material that a utility is unable to provide must be reasonably described and the reasons the data cannot be obtained, as well as the efforts expended to obtain the information, must be set forth in the utility's Annual Affiliate Transaction Report and verified in accordance with Sections I-F of Decision 93-02-019.

6. Utilities that do not have affiliated entities must file, in lieu of the annual transaction report, an annual statement to the Commission stating that the utility had no affiliated entities during the report period. This statement must be signed by a corporate officer of the utility, stating under penalty of perjury under the laws of the State of California (CCP 2015.5) that the annual report is complete and accurate with no material omissions.

(END OF ATTACHMENT F)