WILKINSON) BARKER) KNAUER) LLP

2300 N STREET, NW
SUITE 700
WASHINGTON, DC 20037
TEL 202.783.4141
FAX 202.783.5851
WWW.WBKLAW.COM

June 10, 2015

BY ECFS

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: Verizon Communications Inc. and Frontier Communications Corporation, Consolidated Application for the Partial Assignment and Transfer of Control of Domestic and International Section 214 Authorizations, WT Docket No. 15-44

Dear Ms. Dortch:

On June 8, 2015, Kathleen Abernathy and A.J. Burton of Frontier Communications Corporation ("Frontier"), Kathleen Grillo and Katharine Saunders of Verizon, and Bryan Tramont, William Maher, and Patrick Halley of Wilkinson Barker Knauer, LLP met with Kris Monteith, Randy Clarke, Jodie May Donovan, Dennis Johnson, Alexis Johns, Michael Ray, and Christopher Sova of the Wireline Competition Bureau about the above-captioned proceeding.

We explained that as the Frontier-Verizon transaction is undisputedly in the public interest, the Commission should approve the pending applications prior to the expiration of the 180-day shot clock period. The Federal Trade Commission and Department of Justice have already completed their Hart-Scott-Rodino antitrust reviews. The state proceeding in Texas is nearing completion, and the applicants have filed initial testimony and begun discovery in the California proceeding. Since no party has identified any transaction-specific harms and since Frontier has already started discussions with commenters, the Commission has the opportunity to move quickly. Prompt approval by the FCC would permit Frontier to swiftly begin implementing its plans that will benefit the public interest, including increasing broadband deployment in the areas that will be transferred as part of the Transaction (the "Transferring Areas") and expansion of its local engagement model in these communities.

We also provided information in response to several detailed questions from the Commission staff, as summarized below.

Broadband Benefits: Wireline broadband is the core growth driver for Frontier and is central to its business strategy and competitive success. Frontier is an active participant in the Connect America Fund and similar state programs. The funding from these programs, along with Frontier's own investments, helps guide Frontier's expansion of broadband offerings throughout its service areas. Consistent with its overall business strategy, Frontier intends to take a similar approach post-closing in the Transferring Areas.

The broadband business is highly capital intensive, particularly as existing networks are upgraded to meet increasing demands for broadband capacity and speeds. This Transaction increases Frontier's scale and scope and provides the financial framework for ongoing investment essential to deliver competitive wireline products and services.[1] After the Transaction, Frontier will have a larger customer base that will enable the company to improve efficiency of operations and enhance its purchasing power.

Transaction Savings: Frontier explained that the Transaction will yield $700 million annual cost savings by year three as well as stronger financial foundations and increased cash flow. As Frontier Chief Financial Officer John Jureller previously discussed, $525 million of that projected savings will come from elimination of Verizon corporate cost allocations for various shared services, like network operations, engineering, and accounting and administrative functions. Another $175 million in savings will be based on managing other allocations and costs.[2] Frontier's expected cost savings do not include reductions in workforce, as Frontier intends to utilize the existing employees that will transfer over with the Transaction.

Financing: Frontier believes the Transaction will bolster its already strong financial profile and improve scalability so that it can better provide high-quality services for the long term. The Transaction is structured as a $10.54 billion cash acquisition. Frontier plans to finance the Transaction by issuing a combination of equity and equity-linked securities, as well as debt. Frontier explained that on June 2, 2015, it registered a common stock offering and a mandatory convertible preferred equity offering that are expected to total $750 million and $1.75 billion, respectively, to finance the Transaction. The offerings recently closed.[3] Fitch Ratings recently stated that these offerings "are supportive of [Frontier's] ultimate credit profile" and it is maintaining the company's current default ratings at this time.[4] Similarly, Moody's Investors Service affirmed Frontier's corporate credit rating following the public announcement of the Transaction, stating that it expects Frontier's cash flow to meaningfully improve after the Transaction and projecting that the cash flow increase will improve the company's financial

---

[1] *See* Declaration of John M. Jureller at 5, Exhibit A to Joint Opposition to Petitions to Deny and Reply to Comments by Frontier Communications Corporation and Verizon Communications Inc., WC Docket No. 15-44, ¶ 11 (filed Apr. 28, 2015).

[2] *See id.* ¶ 10.

[3] *See Frontier Communications Closes Offerings of $750 Million of Common Stock and $1.750 Billion of Mandatory Convertible Preferred Stock*, BusinessWire (June 10, 2015), *available at* http://www.businesswire.com/news/home/20150610005887/en/Frontier-Communications-Closes-Offerings-750-Million-Common#.VXhg-RHwtaR.

[4] *See Fitch: Frontier's Equity Offerings a Positive for Verizon Transaction Funding*, BusinessWire (June 2, 2015), *available at* http://www.marketwatch.com/story/fitch-frontiers-equity-offerings-a-positive-for-verizon-transaction-funding-2015-06-02.

flexibility to invest in its network and offer services to customers.[5] With the expected increased cash flow, Frontier plans to fund network investments, including broadband, while maintaining its debt ratings.

Frontier also explained that industry-wide factors are a key reason that current levels of network investment across the telecommunications industry are less than depreciation levels. Thus, the Commission should not look to Frontier's capital expenditures-to-depreciation ratio as a basis to measure the company's commitment to investing in broadband networks, as some have urged.[6] Over the last 15 years, the communications industry has undergone significant changes that affect capital investment levels, particularly in comparison with depreciation. Incumbent local exchange carriers ("ILECs") continue to report depreciation of long-lived network assets that supported traditional switched access services, even as the number of customers using ILEC switched access lines has declined. At the same time, emerging technologies and increased competition have increased companies' emphasis on capital investments in modern technologies. ILECs, including Frontier, have committed to more efficient fiber-based networks and advanced electronics that often are more economical to deploy than those for legacy networks and related equipment. These industry-wide changes skew ratios of capital expenditures to depreciation over time.

Frontier's future capital investment activity will be based upon the existing facts and circumstances. Frontier has consistently and publicly reiterated that the first element of its capital allocation strategy is appropriate investment in the network, as it views its network as the primary asset of the company. While CWA in its comments points at a "capital intensity" metric,[7] that metric is not found in the Bank of America/Merrill Lynch report to which CWA points. Bank of America/Merrill Lynch did not actually calculate capital intensity in its analysis or use it as a metric, and Frontier urges the Commission not to rely on it.

Competition: Frontier explained that the Transaction will promote competition by positioning Frontier as a strong national provider of wireline communications services, in competition with providers such as the cable companies, CLECs, and wireless companies. Customers can choose alternatives offered by cable, wireless (fixed and mobile), and other providers, and this competition will help drive Frontier to invest in and improve its network to keep and win customers. Frontier and Verizon currently do not compete for customers in any of the affected exchanges. In fact, Verizon – the larger of the two entities and the more vertically integrated entity – will become smaller.

Transition Process: Upon closing of the Transaction, Frontier immediately will transition the operations and customers of the companies that will be transferred as part of the

[5] *See* Moody's Investors Service, *Moody's affirms Frontier's Ba3 corporate family rating following acquisition announcement* (Feb. 5, 2015), *available at* https://www.moodys.com/research/Moodys-affirms-Frontiers-Ba3-corporate-family-rating-following-acquisition-announcement--PR_317954.

[6] Comments of CWA at 6.

[7] *See id.* at 12-13.

Transaction (the "Transferring Companies") to Frontier's existing billing systems and operations support systems ("OSS"). Since these systems are scalable and will support the operations transferring to Frontier, this approach will eliminate the need to build new OSS and billing systems from scratch.

The transition process here is far simpler than the transition in Frontier's 2010 transaction with Verizon, which covered 14 states. This Transaction involves fewer lines and a smaller number of states. Frontier already has in place similar OSS and billing systems to those of the Transferring Companies. It has significant experience with those systems and will be cutting the customers directly over to these systems at closing. Even though the 2010 transaction was more complex, Frontier cut over the West Virginia OSS that were unique to that state at closing, along with the operational systems used across the other thirteen states (including California) approximately one year ahead of schedule.

Moreover, many wholesale customers in the Transferring Areas already utilize Frontier OSS and therefore will not be required to change their existing systems interfaces to process orders, track provisioning, or manage troubles. To the extent certain wholesale customers currently do not do business with Frontier in any of its existing 28 state footprint and do not yet interface with Frontier's systems, Frontier will undertake a detailed communication and transition plan to facilitate the use of the Frontier OSS.

Rural Exemption: Frontier expressed its view that the issues surrounding the use of the Section 251(f)(1) exemption from interconnection and related obligations for rural carriers are not transaction-specific. Frontier stated that it will abide by all existing Section 251/252 interconnection agreements entered into by the Transferring Companies (rural and non-rural alike). However, in the interest of moving the application process forward, Frontier will agree that, for a term of three years after the Transaction closes, in the portions of the Transferring Areas that are rural, Frontier will not assert that it is exempt from Section 251(c) obligations pursuant to the rural exemption.

Service Quality: The Transferring Companies will continue operating in the normal course after closing, and thus will continue to be subject to any requirements by state regulators post-closing. This includes requirements related to network or service quality-related requirements or remediation efforts. Frontier anticipates that post-closing the Transferring Companies will continue to comply with applicable state requirements.

This letter is submitted pursuant to Section 1.1206 of the Commission's rules. If you have any questions about this notification, please contact the undersigned.

Sincerely,

/s/ William F. Maher, Jr.

Counsel to Frontier Communications Corporation

cc: Kris Monteith
Randy Clarke
Jodie May Donovan
Dennis Johnson
Alexis Johns
Michael Ray
Christopher Sova