WILTSHIRE & GRANNIS LLP

May 18, 2010

Ex Parte

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

RE: *Application of Verizon Communications Inc. and Frontier Communications Corporation for Consent to Transfer Control of Domestic Section 214 Authority*, WC Docket No. 09-95

Dear Ms. Dortch:

Frontier Communications Corp. ("Frontier") hereby submits a copy of the Public Service Commission of West Virginia's order approving Frontier and Verizon's Joint Petition for consent and approval of the transfer of Verizon's local exchange and long distance business in West Virginia to companies to be owned and controlled by Frontier Communications.[1]

A copy of this letter is being filed in the above-referenced docket.

Sincerely,

/s/ John T. Nakahata
John T. Nakahata
Counsel to Frontier Communications Corp.

Attachment

cc: Edward Lazarus
Jennifer Schneider
Angela Giancarlo
Angela Kronenberg
Christi Shewman
Zachary Katz
Nicholas Alexander
Carol Simpson
Alex Johns

[1] Case No. 09-0871-T-PC

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

At a session of the Public Service Commission of West Virginia, in the City of Charleston, on the 13th day of May 2010.

CASE NO. 09-0871-T-PC

FRONTIER COMMUNICATIONS CORPORATION, CITIZENS TELECOMMUNICATIONS COMPANY OF WEST VIRGINIA dba FRONTIER COMMUNICATIONS OF WEST VIRGINIA, NEW COMMUNICATIONS HOLDINGS, INC., NEW COMMUNICATIONS ILEC HOLDINGS, INC., NEW COMMUNICATIONS ONLINE and LONG DISTANCE, INC., VERIZON WEST VIRGINIA INC., VERIZON LONG DISTANCE, LLC, and VERIZON ENTERPRISE SOLUTIONS, LLC.

Joint Petition for consent and approval of the transfer of Verizon's local exchange and long distance business in West Virginia to companies to be owned and controlled by Frontier Communications.

CASE NO. 09-1600-T-CN

NEW COMMUNICATIONS ONLINE and LONG DISTANCE, INC.

Application for a certificate of convenience and necessity to provide facilities-based and resold based local exchange telecommunications services to customers throughout West Virginia.

COMMISSION ORDER ON REQUEST FOR CONSENT FOR THE ACQUISITION OF VERIZON WEST VIRGINIA BY FRONTIER COMMUNICATIONS AND FOR APPROVAL OF THE TRANSFER OF LONG DISTANCE CUSTOMER ACCOUNTS OF VERIZON LONG DISTANCE, LLC, AND VERIZON ENTERPRISE SOLUTIONS, LLC, TO A COMPANY TO BE OWNED AND CONTROLLED BY FRONTIER COMMUNICATIONS AND APPROVAL OF RELATED MATTERS

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ACRONYMS

BTOP	Broadband Technology Opportunities Program.
C2C	West Virginia Carrier to Carrier Guidelines.
CAD	Consumer Advocate Division, Public Service Commission of WV
CLEC	Competitive Local Exchange Carrier.
CLECs	CityNet, Fibernet, NTELOS and US Cellular (Collectively).
CR1	Commission Requested Exhibit 1.
CR2	Commission Requested Exhibit 2.
CWA	Communications Workers of America, AFL-CIO
DOD	U.S. Secretary of Defense on behalf of the United States Department of Defense and all other Federal Executive Agencies.
EBITDA	Earnings Before Interest Expense, Taxes, Depreciation or Amortization
FOIA	West Virginia Freedom of Information Act, codified as W.Va. Code §§29B-1-1 through 7.
ILEC	Incumbent Local Exchange Carriers.
IXC	Interexchange telecommunication company.
NOLD	New Communications Online and Long Distance, Inc.
NSP	Network Stabilization Program.
NTELOS	NTELOS of West Virginia, Inc.
PAP	Current Performance Assurance Plan related to Carrier to Carrier Guidelines.
RQSP	Retail Quality of Service Plan.
SEC	United States Securities and Exchange Commission.
Spinco	New Communications Holdings, Inc., New Communications ILEC Holdings, Inc., New Communications Online and Long Distance, Inc. (Collectively)

VES	Verizon Enterprise Solutions, LLC
VLD	Verizon Long Distance, LLC

COMMISSION ORDER

The Commission grants the request for transfer of Verizon West Virginia Inc. (Verizon WV), and certain long distance accounts in West Virginia to companies to be owned and controlled by Frontier Communications, subject to the conditions and required commitments contained in this Order and related Appendices.

I. INTRODUCTION

The Joint Application[1] in this matter presents the Commission with a request to approve a complex series of commercial agreements filed jointly by the owners of the two largest telephone utilities in West Virginia (Transaction). Verizon Communications Inc. (Verizon) proposes to spin off a collection of incumbent local exchange carriers (ILECs) spanning the nation and merge those entities with Frontier Communications Corporation (Frontier). The consideration for the Transaction consists of both a cash payment to Verizon and the transfer of Frontier stock to Verizon shareholders that will leave Verizon shareholders as the majority owners of Frontier after the merger. Verizon WV is the primary West Virginia asset included in the Transaction. The merger will leave Frontier as the ILEC serving the vast majority of West Virginia.

Disputed cases that come before the Commission in fully-litigated proceedings are typically hard fought and contentious, but rarely has the Commission been presented with a case that presents the torrent of conflicting issues, witnesses, testimony, positions, arguments and briefs presented in this proceeding by those who support, and those who oppose, the proposed sale by Verizon to Frontier of its local, broadband and long distance business in West Virginia and thirteen other states.

As will be seen in the discussion in this Order, there appears to be little, if anything, on which the parties agree. To further complicate the conflicting issues that the Commission faces, this case has also been marked by organized efforts designed to provide a level of public input and assistance to the Commission through correspondence, newspaper, television and radio advertisements. While we appreciate the strong feelings and the suggestions as to how this case should be decided, we are constrained and guided in our decision making by the record, our statutory obligations and case precedent. We must decide the case on the record and in the way that we believe is consistent with those obligations. These include specifically the purposes and policies detailed in W.Va. Code Chapter 24 and the obligation to "exercise the legislative powers delegated to" the Commission, including the "responsibility for appraising and balancing the interests of current and future utility service customers, the general interests of the State's economy, and the interests of the utilities subject to its jurisdiction in its deliberations and decisions." W.Va. Code §24-1-1(b). We believe that this Order achieves that statutorily required balance.

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[1] The case style describes this filing as a Petition, but the Applicants described that filing as an Application. The Commission will refer to that document as an Application and the parties filing that document as Applicants.

This proceeding differs from many major "merger/acquisitions" that come before the Commission in that we are called on to assess, evaluate, and act on a proposed Transaction between two utilities that we already regulate and know quite well. The seller, Verizon, owns Verizon WV which is a well-established utility in this State, that along with its affiliates, and through its Bell Operating Company progeny and predecessors, has historically provided telephone service to most citizens of this State. The buyer, Frontier, is likewise a reputable corporate and utility citizen of the State that through its predecessors has, over several years, acquired service assets and responsibilities in some of the "harder to serve" areas in this State and has done so in a commendable manner with a strong customer service orientation to its post-acquisition utility activities.

In addition to the complex nature of the proposed merger and the large proportion of West Virginia telecommunications infrastructure involved in this Transaction, the decision in this matter is complicated by recent difficulties that Verizon WV has experienced with its retail service quality and the remedial Network Stabilization Program (NSP), and continuing line losses by both Frontier and Verizon.

The Commission is mindful of the fact that the telecommunications industry in this State and nationally is in a state of rapid and dynamic change. Telecommunications technology is changing at an ever accelerating rate. Traditional telephone landline service that was previously the backbone of the utility telecommunications industry has been seriously impacted by an array of new devices, services, and alternatives. Cellular telephones, VoIP, virtual phone lines and other offerings such as e-mail, instant messaging, tweets, and the array of countless alternatives to landline service have caused a significant decline in the number of subscribers to landline service. While these changes have caused all telephone utilities with landline service to grapple with the economic and business decision of how to allocate capital considering a declining customer base and other telecommunications opportunities, the Commission is particularly concerned about recent declines in Verizon retail service quality that are apparent from a separate proceeding involving Verizon WV retail service quality.

We are all too aware that both Verizon and Frontier face that same quandary imposed by economic forces. To some extent, it is their respective approaches to that changing telecommunications dynamic that has led to the proceeding before us. Without regard at the moment, to the merits of whether the Commission should grant its consent and approval to the Joint Application before us, the Commission believes that Verizon has a business plan that views its own economic interests and opportunities as best served by moving away from landline service in the states that are the subject of this Joint Application. The Verizon business plan sharply contrasts with the broadband-based rural focus and flatter management hierarchy Frontier advances in this proceeding and seeks to expand into the service territory of Verizon WV. This contrast is a substantial factor in this case.

As our docket reflects, the Commission has had pending for some time a general investigation into the "quality of service" of Verizon WV landline operations, and we have been attempting to deal, more by stick than carrot, with the impact of the economic decisions made by Verizon and Verizon WV on the quality of its landline service. Verizon West Virginia Inc., Case No. 08-0761-T-GI. The quality of landline service provided by Verizon WV, however, has

been more appropriately addressed in the May 10, 2010 Commission Order in Case No. 08-0761-T-GI. While we may find it necessary to discuss the quality of service investigation in this decision, we view that case as a distinctly different proceeding relating solely to utility service provided by Verizon WV.

Frontier has indicated that it views the Verizon business plan (to reduce its involvement in landlines and to focus on high speed broadband and cellular service in more densely populated areas) as presenting an opportunity for Frontier to arrest the downward slide in the number of landlines in this and other states by coupling its landline service with a commitment, after the acquisition, to extend broadband internet service into areas where Verizon is not willing to make the capital commitment for new or enhanced broadband service in this State.

This Transaction raises novel legal issues in merger/acquisitions (at least insofar as this Commission is concerned). The treatment of those issues at the hearing and in briefs reflects creative (albeit frequently inconsistent) legal and factual viewpoints by competent and informed counsel and able witnesses on the Joint Application. In many instances the Commission is required to use its best judgement to effect the most reasonable resolution to issues presented. Fortunately, we are not writing on a clean slate in this State with respect to these types of transactions. The Commission is also aware of counterparts to this case in a number of other jurisdictions where the consent and approval of the utility regulatory bodies in those states is required and has been obtained. Further, at hearing, some of the parties presented settlements that resolved some of their concerns, but several parties remain opposed to the proposal in any form.

This matter is also complicated by the fact that there have been other transactions within the telecommunications industry that demonstrated what can go wrong and what can go right with these types of merger/acquisition transactions. There have been untold references in the hearing and in briefs to the "horrors" of the sales of other Verizon operations, such as the sale of Hawaiian Telecom, Inc., to the Carlyle Group and the sale of Verizon New England to FairPoint Communications Inc., neither of which involved Frontier. There have, likewise, been repeated references to successful acquisitions and mergers, such as the Embarq Inc.,/CenturyTel transaction, as support for how transactions were done right and why the Hawaiian and New England cases were failures because of the unique nature of the buyer and the lack of preparation for the transaction, and not because of anything that Verizon did or that is inherently flawed about this Transaction.

As we explained in the recent Hope Gas case, in a traditional merger/acquisition, the seller's duties at the hearing typically involve explaining why it no longer wants to operate the utility facilities that it is selling, why it wants to leave the state, why the Transaction makes sense, why the Commission should be assured that the buyer and seller have negotiated at arms' length and how the seller is not leaving the buyer in a position where it cannot carry out its utility obligation. The seller's role often also involves assisting the buyer to make the case that it has, or will acquire as a result of the acquisition, the ability and financial capacity to operate the system in a manner to enable it to meet the statutory burden. Hope Gas Inc., dba Dominion Hope, et al., Case No. 08-1761-G-PC (Commission Order, December 22, 2009) (Hope Two).

It is against that backdrop that the Commission is called on to make the decision in this case. It has been a difficult proceeding. We have been faced with an extremely large record consisting of nearly 4,000 pages of documents, including prefiled direct and rebuttal testimony, hearing transcripts and exhibits, to say nothing of the additional, extensive and conflicting arguments in the briefs and reply briefs the parties filed. We have been urged, cajoled and encouraged to "use due diligence" in reviewing the record in this proceeding in order to arrive at the correct, fair and reasonable decision. We believe that is our statutory charge, and we believe we have done that in this case.

The Commission has considered the evidence presented by the parties to this matter and a diverse set of proposed conditions to guard against perceived shortcomings in the Transaction. After considerable deliberation, the Commission has determined that the Transaction as originally filed did not contain sufficient safeguards to satisfy the Commission. Some of the initial justifications advanced for approving this proposal were vague and unsatisfactory. Conditions offered by Verizon and Frontier in rebuttal testimony at hearing and agreed in the settlements satisfy some concerns of the Commission, but the Commission agrees with the Intervenors that some additional conditions are necessary to assure that the proposed transfer of control occurs smoothly and that Frontier will render the level of service that we expect.

The Commission has also taken note of the technical risks presented by a complex flash cutover of all Verizon WV lines and systems to Frontier and the risks associated with Frontier merging with an entity more than double its size. There is risk of some sort in any complex utility transaction. The Commission, however, must sort between substantive likely risks to the public, and mere possibilities of service and operational risks potentially stalking any utility unrelated to the ownership. In addition to some risk, the Transaction also holds the potential to benefit many West Virginia residents and businesses through the expansion of broadband internet service and the sale to an owner that prefers a business plan that is more responsive to West Virginia needs considering the demographics of the West Virginia customer base and is dedicated to providing quality service. After balancing these considerations, the Commission will approve the merger, subject to both the agreed conditions and other conditions imposed by this Order.

II. PROCEDURAL BACKGROUND

Case No. 09-0871-T-PC

On May 29, 2009, New Communications Holdings, Inc., New Communications ILEC Holdings, Inc., New Communications Online and Long Distance, Inc. (NOLD) (together Spinco), Frontier, Verizon WV, Verizon Long Distance, LLC and Verizon Enterprise Solutions, LLC (VLD and VES) (all corporations together Applicants) jointly applied for approval of the Transaction that will spin off substantially all Verizon wireline business in West Virginia and merge those entities with Frontier.

The Commission subsequently received requests to intervene from its Consumer Advocate Division (CAD), competing carriers, including NTELOS of West Virginia, Inc., (NTELOS), FiberNet, LLC (FiberNet), Citynet West Virginia, LLC (Citynet), U.S. Cellular and

Level 3 Communications, the Communications Workers of America, AFL-CIO (CWA), Comcast Phone of West Virginia, LLC (Comcast) and the U.S. Secretary of Defense on behalf of the United States Department of Defense and all other Federal Executive Agencies (DOD). Petitions to Intervene (all such intervenors being collectively referred to as "Intervenors").

On July 23, 2009, the Commission issued an order scheduling an evidentiary hearing, for January 12, 2010, directed the Applicants to publish notice of the hearing, granted several pending requests to intervene, established a procedural schedule and joined the current Frontier operating subsidiary in West Virginia, Citizens Telecommunications Company of West Virginia dba Frontier Communications of West Virginia (Citizens), as a party to this proceeding.

On January 12, 2010, the Commission began the hearing in this matter and conducted four full days of hearing. The Commission also received public comment regarding the sale application. After the public comments, the Commission was presented with a proposed settlement between Frontier and a group of competing carriers including CityNet, Fibernet, NTELOS and US Cellular (CLECs) and a second settlement between Comcast and the Applicants. The settlements are similar in nature and concentrate on resolving or avoiding (i) technical issues regarding the transition and cutover from Verizon to Frontier including digital order testing, (ii) changes to address existing problems with Verizon WV including pole and remote terminal access, (iii) a commitment for an additional $12 million infrastructure investment in 2011 and (iv) the reduction of barriers to competition in existing Frontier territory, including Mercer and Jefferson Counties. At the hearing, the Commission noted that, in order to fully evaluate the merits and reasonableness of these proposed settlements, it was unwilling to allow the CLECs to withdraw their testimony in this proceeding. Transcript of January 12, 2010 Commission hearing at 123-124.[2] Level 3 also announced that it had no further interest in participating. Id. at 112.

After receiving the proposed settlements, the Commission heard evidence from the parties and admitted numerous exhibits into evidence including the direct and rebuttal testimony tendered by the parties. At the conclusion of the proceedings, the Commission established a briefing schedule providing for the filing of initial briefs on or before February 19, 2010, and the filing of reply briefs on or before March 5, 2010. The Commission also accepted a listing of conditions proposed or accepted by the Applicants in their filings and testimony as Commission Requested Exhibit One (CR1). Finally, the Commission directed the Applicants to file a post-hearing exhibit listing the conditions imposed on, or agreed by, the Applicants in other jurisdictions as Commission Requested Exhibit 2 (CR2). Tr. 1/15/10 at 246-249.

There is an extensive additional procedural history of this case, but because most of that is not critical to the issues to be decided, that further procedural history of Case No. 09-0871-T-PC is set forth on Appendix B and is incorporated into this Order.

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[2] The Commission will refer to the transcripts of each day of hearing as a separate Volume with January 12, 2010, as Tr. 1/12/10 and subsequent days in like manner.

On September 22, 2009, NOLD applied for a certificate of convenience and necessity (Certificate) to provide interexchange telecommunications (IXC) services in West Virginia. At this point, NOLD owns no telecommunications facilities and serves no customers. Under the agreements submitted for approval in Case No. 09-0871-T-PC, Verizon will spin off substantially all of its West Virginia facilities, including long distance service to NOLD. After the spinoff, Spinco will merge into Frontier with Frontier surviving the merger. NOLD will be a Frontier subsidiary. NOLD plans to substantially adopt the existing tariffs of VLD and VES. NOLD attached a Certificate of Authority to do business in West Virginia and evidence of incorporation in Delaware to its application.

The Commission directed NOLD to publish notice of its application in a number of localities throughout West Virginia. September 22, 2009 Commission Order.

On October 19, 2009, Staff filed a memorandum recommending that the Commission approve the Certificate as requested.

On November 12, 2009, Staff withdrew its recommendation to approve the NOLD Certificate request and instead recommended that the Commission hold the application in abeyance until the Commission issues a final order in the Transaction proceeding. Staff also issued a data request to NOLD seeking details regarding its operations.

On November 23, 2009, NOLD responded in opposition to the November 12, 2009 Staff Memorandum. NOLD proposed that the Commission approve its application, but make that approval contingent on the transfer request. NOLD separately filed affidavits of publication showing compliance with the September 22, 2009 publication Order.

On December 15, 2009, Staff filed a further memorandum recommending that the Commission issue an Order holding this matter in abeyance pending the outcome of the transfer request.

III. TESTIMONY AND DISCUSSION

As noted above, the Transaction involves a complex series of steps that span a number of subsidiary agreements. The Applicants and the Intervenors filed testimony from over two dozen witnesses, generated approximately one thousand pages of hearing transcript, an additional thousand pages of pre-filed direct and rebuttal testimony and a total evidentiary record approaching four thousand pages. The Commission has also chosen to supplement the record with submissions offered by several parties after the close of the evidentiary hearing as discussed in Section III. J below. The Commission believes that a complete summary of the record in this Order is impractical and unproductive and will serve little purpose other than making the Order too long for practical reading. Instead, the Commission will discuss the portions of the record relevant to the issues in this proceeding that guide its decision and explain the conditions imposed on the Transaction to prevent adverse impacts on the public in this state.

A. Description of the Transaction

The May 29, 2009 filing from the Applicants included a verified Joint Application describing the proposed Transaction and outlining their argument that the Transaction meets the requirements of W.Va. Code §24-2-12. The Applicants included the May 13, 2009 merger agreement between Verizon and Frontier and a distribution agreement between Verizon and the subsidiaries that will merge with Frontier. Finally, the Applicants provided a series of diagrams depicting the corporate structure of the Applicants before and after execution the Transaction. Joint Application Exhibit 3.

The agreements call for Verizon to spin off a portion of its ILEC landline telecommunications subsidiaries in fourteen states, Arizona, California, Idaho, Illinois, Indiana, Michigan, Nevada, North Carolina, Ohio, Oregon, South Carolina, Washington, Wisconsin, and West Virginia, totaling 4.8 million access lines. Joint Application at 6-7. Except for the Commission, all of these states have consented to their respective portions of the Transaction. See, CR2 and its supplements. In West Virginia, Verizon will spin off Verizon WV as well as some customer accounts currently handled by VLD and VES. Both are expected to retain their Certificates and will continue to operate with a significant number of retained customers. Joint Application at 8-10. The various contributed assets will be separated by Verizon into the Spinco companies, including New Communications Holdings, Inc., New Communications ILEC Holdings, Inc., and NOLD, if the joint Applicants obtain all necessary government approvals. Merger Agreement at 114. Verizon will be compensated for the spinoff by Spinco with a payment of approximately $3.333 billion dollars in cash or assumed indebtedness. Id. at 27.

After the transfer of assets, including Verizon WV, to Spinco is completed, Spinco will merge into Frontier with Frontier surviving the merger. Verizon WV will become a subsidiary corporation of Frontier. Although Frontier is the surviving corporation, Spinco will possess approximately twice as many access lines as Frontier before the merger. Joint Application at 5-7. As part of the merger, Frontier will issue approximately $5.247 billion of new stock that current Verizon shareholders will receive in exchange for their equity stake in Spinco. Merger Agreement at 21, 22, 31. The formula agreed between the parties specifies that the number of shares to be issued is equal to $5.247 billion, plus the cost of any governmental mandates imposed on Verizon during the approval process, divided by the Frontier share price within a collar range of $7.00 to $8.50. Id. As indicated earlier, this stock distribution will give Verizon shareholders a substantial majority equity position in Frontier at the date of the merger. CAD Ex. 4 at 13.

The Applicants have represented that Frontier management and Frontier shareholders have approved the Transaction. Frontier Ex. 2 at 15; Frontier Ex. 3 at 15. The Applicants have also entered into a series of other agreements that govern various ancillary aspects of the Transaction including an agreement relating to employee matters, licensing agreements related to FiOS and other technology, a joint defense agreement, a tax sharing agreement and a cutover plan support agreement. The parties have also exchanged disclosure statements and a listing of retained customers. Merger Agreement at 26, 130.

The Applicants amended their agreements on July 24, 2009, to adjust provisions for existing contracts where Spinco entities are a party and to adjust the allocation of assets between Verizon and Spinco. Amendment No.1 to May 13, 2009 Merger and Distribution agreements. The Applicants filed a second amendment to the Distribution Agreement on April 5, 2010, along with an agreement regarding intellectual property matters.

B. Statutory Standard

The Legislature created this Commission to exercise regulatory authority over public utilities in this state. The Commission is specifically charged with the duty to ensure fair regulation in the interest of the consuming public; provide the availability of adequate, economical and reliable utility services throughout the state in a well planned manner; and foster the effective and efficient management of regulated utility enterprises. W.Va. Code §24-1-1. The Commission must balance the competing interests of current and future utility customers along with the general economic interests of the state in its consideration of cases before it. Id. Under the provisions of W.Va. Code §24-2-12, the Commission may grant its prior consent for the transfer of control of a public utility organized and doing business in this state under three conditions. The Applicants must show that (i) the terms and conditions of the Transaction are reasonable, (ii) neither party to the Transaction has an undue advantage over the other and (iii) the Transaction does not adversely affect the public in this state. The Commission is specifically authorized to attach conditions that it deems proper to the Transaction.

The Commission has interpreted W.Va. Code §24-2-12 to require, as an incident of that three-part test, a showing that the acquiring entity has, or as a result of the Transaction will obtain, the knowledge, experience and resources that allow the acquiring entity to conduct operations that provide adequate and reliable service at reasonable rates. Hope Gas Inc., Case No. 99-0462-G-PC (Commission Order, July 27, 1999) (Hope One) and Hope Two. The Commission has determined that the three-part test necessarily includes the Transaction as structured and that there is a "forward looking" element requiring the Commission to evaluate to some extent how the new utility will function after the merger is complete. Hope Two at 9-10.

The Commission can attach conditions as it may deem proper when it grants its consent. W.Va. Code §24-2-12. The Applicants in this matter have offered a series of conditions, collected in the various settlements and CR1, as addenda to their initial Application. The Commission has considered conditions suggested by the intervening parties and Staff as well as the conditions or agreements offered by the Applicants. Regardless of the agreement for conditions proffered by the Applicants and the conditions recommended by other parties, the Commission may impose its own conditions as it deems proper and necessary to ensure that the proposed Transaction does not adversely impact the public in this state. The Commission has established a list of conditions that must be accepted, agreed to, and followed by the Applicants. In some instances these conditions include those conditions and agreements already offered by the Applicants. However, the list of conditions established by the Commission, and incorporated herein as Appendix A, is not merely a recital of agreements or conditions offered by the Applicants. The conditions and commitments listed on Appendix A represent our own determination and are imposed on the Applicants by the approval granted herein.

C. The Test – Undue Advantage; Terms and Conditions; and Adverse Impacts Generally

One of the three statutory conditions that the Transaction must satisfy proscribes any party to the Transaction from having an undue advantage over the other. Failure to meet this requirement, however, has rarely been asserted in any substantial sale of a public utility in this state.

CWA asserted that the Commission should reject the proposed Transaction on the basis of undue influence on Frontier. CWA Ex. 2 at 26-27. Interestingly, CWA does not assert that Verizon exercised direct pressure or force on Frontier or that it had an undue advantage over Frontier, but rather argues that Frontier was under pressure to merge with Spinco in order to continue a high-dividend business model.

We do not find any credible evidence that Frontiers dividend policy placed it at any disadvantage in its negotiations with Verizon.

The remaining two components of the statutory test for evaluating utility agreements under W.Va. Code §24-2-12 require the Commission to determine (i) whether the terms and conditions of the Transaction are reasonable and (ii) whether the Transaction adversely affects the public in this state. These elements are somewhat intertwined. Terms and conditions are subject to review of the Commission and the entire resulting Transaction is evaluated from the standpoint of whether the proposed Transaction will adversely affect the public interest. Therefore, the Commission will evaluate the various terms and their impacts together on an issue by issue basis. The Commission will assess the Transaction as structured, and will apply a "forward-looking" approach to evaluate how an expanded Frontier West Virginia utility operation will function after the Transaction is closed.

D. General Positions of the Parties

The positions of the parties to this proceeding fall into three basic groups. The Applicants argue that the Commission should approve the proposed Transaction without modification. They assert that their promises to increase broadband availability and expand network maintenance show that the Transaction will be a net benefit for current customers. Joint Applicants Initial Brief. They also point to testimony from former CAD director B. J. Gregg supporting the contention that the Transaction is in the interest of West Virginia customers. See, Frontier Ex. 6 at 26-27. Frontier treasurer Whitehouse asserted that Frontier dividend practices are not contrary to sound operation of a telecommunications business. Frontier Ex. 3 at 36-41. Frontier also produced technical testimony discussing the mechanics of the cutover from Verizon to Frontier, including adoption and use of a new wholesale gateway developed by Synchronoss Technologies, Inc. (Synchronoss). Frontier Ex. 5 at 21. The Applicants also argue that this Transaction is distinguishable from the problematic Verizon spinoffs in New England and Hawaii. Verizon Ex. 2 at 23-27. Verizon also criticized any notion of imposing financial requirements on it as a condition of the sale, characterizing those conditions as a governmental taking. Verizon Ex. 3 at 4, 15-16; Merger Agreement at §1.144.

The second group of parties to this proceeding includes intervenors that have tendered settlements with the Applicants or do not oppose the Transaction with appropriate conditions. One group settling with Frontier is the CLECs. Joint Stipulation 1 at 1. After filing testimony criticizing the Transaction, the CLECs agreed to withdraw from the proceeding and requested approval of their settlement. Comcast entered a similar settlement with the Applicants. Comcast Settlement. The settlements primarily pertain to the mechanics of the cutover including implementation of the Synchronoss gateway, a testing schedule to assure that the CLECs can use the new Frontier system, $12 million in extended maintenance commitments[3] and concessions from Frontier on miscellaneous wholesale issues. See, Joint Stipulations 1 and 2.

DOD indicated it could support the Transaction if the modifications cited in pre-filed testimony are approved. The DOD witness, Mr. King, believes that conditions are needed to remedy shortcomings regarding dividends, rate stability and service quality. DOD Ex. 1 at 32-33. DOD has settled with the Applicants in other states, but not in West Virginia. February 26, 2010 Supplement to CR2.

The final group of litigants oppose the Transaction. Parties opposing the Transaction in any form at the hearing include Staff, CAD and the CWA. These litigants argue that the deal harms the public interest, even if the Commission imposes conditions to remedy their concerns. These parties only recommend conditions as a fallback position in the event that the Commission disagrees with their conclusions regarding the risks of the Transaction. The Commission has reviewed these suggested conditions and finds that several of them are sound and will condition its consent to the Transaction on some of those. Those conditions are discussed in detail below. The risks these interviewers cite fall into three general categories including (i) financial risks arising from Frontier business practices generally or the Transaction in particular, (ii) technical risks from the Transaction including failure of the cutover and reduced customer service quality and (iii) other miscellaneous alleged adverse impacts. The Commission addresses each risk category below.

E. Financial Risks

The Intervenors to this matter have expended a considerable portion of their testimony discussing concerns regarding the financial aspects of the Transaction. In general, their financial concerns expressed by the Intervenors fall into four categories including assertions that (i) the Transaction is doomed to failure because some other Verizon deals have experienced trouble, (ii) Frontier pays unreasonable dividends that, if continued, will harm its long-term viability, (iii) Frontier will acquire "crushing debt" in the merger that will prevent it from fulfilling commitments made in this proceeding or possibly prompting a bankruptcy and (iv) the lack of financing for the Transaction or a ceiling on interest rates for the $3.333 billion dollar payment from Spinco to Verizon may unreasonably increase the cost of the Transaction. The Commission will consider each of these concerns separately.

[3] The $12 million maintenance commitment is within the $75 million capital expenditure Frontier committed to spend in 2011. CR1 Condition 2.

1. Failed Spinoffs

The Commission takes this opportunity to briefly address the evidence presented regarding a series of prior Verizon spinoffs, including Idearc, the sale of Hawaiian Telecom Inc., to the Carlyle Group (Carlyle) and the sale of Verizon New England to FairPoint Communications Inc., (FairPoint). Each of these entities that acquired former Verizon subsidiaries has succumbed to bankruptcy because of various problems. DOD Ex. 1 at 4-10. The Intervenors argue that these transactions, and particularly the FairPoint sale, demonstrate a pattern of Verizon selling assets after years of underinvestment that manifests only after the sale. CWA Initial Brief at 26; CAD Initial Brief at 54-58. The Applicants argue strenuously that these transactions are different from the current sale. Verizon argues that the core failure of Hawaiian Telecom and FairPoint was a defective back office system that the buyers built from scratch for each transaction. Verizon Ex. 2 at 23-25. In contrast to FairPoint, Frontier asserts that it is a substantial telecommunications provider with a track record of providing satisfactory service, including service in West Virginia. Frontier Ex. 2 at 79, 92-94.

The Commission believes the failed spinoffs of Idearc, Hawaiian Telecom and FairPoint do suggest caution in approaching this proceeding. There are substantial distinctions, however, between the buyer in this Transaction, Frontier, and either FairPoint or Carlyle. Frontier has an established track record of adequate service in West Virginia with its current 144,000 lines. It is also substantially larger than FairPoint, familiar with West Virginia operations, and more experienced in providing telecommunications than Carlyle. Frontier Ex. 2 at 52-52, 59. Frontier also has an operating back office billing and customer support system providing services for its current 2.2 million customers. Id. at 60. This Transaction, however, does add substantially more lines than Frontier currently operates, a similarity to the FairPoint transaction. Id. at 53. Those lines are not in one compact area, but are scattered across the nation. Joint Application at 6-7. The Commission rejects the simplistic argument that the Transaction is automatically doomed to become another failed Verizon spinoff, but a series of failed spinoffs does justify the closer scrutiny the Commission has given this case and precautions to prevent a negative result to the extent possible.

2. Dividends

The intervenors cite Frontier's dividend policy as a basis for rejecting the Transaction. Frontier announced in the Application that it would reduce its current $1.00 per share annual dividend to $0.75 as part of this the Transaction. Id. at 2. The Intervenors, however, believe even the $0.75 dividend is an unsustainable business practice. Staff noted that Frontier paid dividends of $2.50 per share in 2003-2004 and $1.00 in 2005-2008. The Frontier dividend in 2008 exceeded net earnings, paying out $518 million in dividends while reporting net earnings of $183 million. Frontier has paid dividends in excess of net earnings in every year from 2003 through 2008 except one. Staff Ex. 2 at 5. Staff argued that consistently paying dividends in excess of net earnings is not sustainable. Id. at 6.

CAD also raised similar concerns regarding Frontier dividend policy, arguing that the dividend policy is unsustainable and contrary to sound business practices. CAD noted that Frontier shareholder equity has declined from 24% of total capital in 2004 to 8% of total capital

in 2009. CAD Ex. 4 at 21. CAD recommended that the Commission condition the sale by limiting Frontier dividends to its earnings. Id. at 50. DOD raised similar concerns, arguing that not only is the past dividend policy unsustainable, but also that Frontier will not be able to raise further capital unless it restrains dividends. DOD Ex. 1 at 14. Thus, DOD recommended that dividends not exceed earnings. Id. at 32.

CWA also highlighted the Frontier dividend policy, asserting that the Frontier business model is unsustainable. CWA noted that in 2008, Frontier had a dividend payout ratio to net income of 174%. CWA argued that the Frontier dividend policy could drain its reserves and affect the ability of Frontier to provide adequate service. CWA Ex. 2 at 20-22. CWA predicted that the dividend payout rate would lead to a decline in investment in property, plant and equipment. Id. at 23. The CWA witness also asserted that FairPoint engaged in a similar pattern of paying dividends in excess of net earnings. Id. at 26. Unlike CAD and DOD, CWA urged a more stringent sale condition of dividend limits of 90% of net earnings.[4] CWA also recommended a floor on shareholder equity of 40%. Id. at 68.

Frontier responded to the proposed dividend limits with testimony from its treasurer who asserted that the Intervenors improperly focused on net earnings when analyzing Frontier dividend payments. Frontier argued that the proper measure of dividend payments is as a percentage of free cash flow instead of net earnings. Frontier asserted that, as a percentage of free cash flow, Frontier dividends are manageable. Frontier Ex. 3 at 36-39. He also noted that Frontier can reduce dividends when needed to respond to future developments. Id.

While the Commission notes the Frontier record of providing adequate service in West Virginia, the Commission is nonetheless concerned by what the Commission finds to be a consistent pattern of dividends that exceed net earnings. This pattern has adversely affected shareholder equity in Frontier, and if left unchanged, would continue to drain what will be an improved shareholder equity ratio after the merger. The Commission is sensitive to the responsibilities of Frontier management to its shareholders, including the new shareholders resulting from the Transaction, to operate the utility profitably and provide a return on investment, but the Commission is deeply concerned with sustained dividend payouts well above net earnings. This concern is heightened by the recent service quality problems experienced by Verizon WV, suggesting the possible ongoing need for additional investment to provide quality telephone service. The first duty of Frontier management is to operate a sustainable utility that provides adequate, economical and reliable telecommunications service. W.Va. Code §24-1-1(a)(2). After meeting that obligation, Frontier management may then provide a return on shareholder investment in the form of dividends or share purchases. The Commission notes that other jurisdictions have decided against limits, but have instead opted for reporting requirements on this issue. The Commission appreciates their restraint on this issue, but feels that the hearing record justifies stronger action, particularly in a State where large areas have no access to cellular service and little or no current access to broadband service.

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[4] CWA recommended the 90% dividend limit for both the West Virginia Operating subsidiary and the parent corporation, but expressed jurisdictional concerns regarding a corporation-wide limit. Id. at 68.

The Commission, however, does not see historic Frontier dividend rates as a justification to deny consent for the Transaction. Instead, the Commission adopts the recommendation from DOD to condition the sale on dividend limits for all Frontier entities subject to Commission regulation, including the current Verizon WV, Citizens and NOLD. Without Commission approval, these entities will not directly or indirectly pay more than 100% of their net earnings to their corporate parent for four years after closing. This condition is similar to, albeit less rigid than, the 80% limitation on total common and preferred dividends of earnings imposed on West Virginia-American Water Company in the acquisition of American Water Works by RWE/Thames.

3. Financing Cost

Another criticism leveled against the Applicants by Staff, CAD and the CWA, was a lack of financing for the $3.333 billion payment from Spinco to Verizon under Section 2.4 of the distribution agreement.[5] Staff noted in pre-filed testimony that the Applicants had not yet arranged financing and asserted that this unknown cost risked reduced funding of new plant construction. Staff Ex. 2 at 13. Similarly, CAD expressed concern regarding a planned financing in March or April 2010 and recommended that the Commission require the Applicants to show that they have not financed the new debt at a interest rate over 9.5%. CAD Ex. 1 at 137. CAD suggested a condition on the sale directing Frontier to file a report summarizing the results of its debt offering. Id.

CWA also expressed concern that unknown future financing terms may present a risk of Frontier agreeing to the merger with burdensome interest rates. Therefore, CWA proposed requiring separate approval of any financing package for the $3.333 billion Special Payment if the weighted average annual cash interest rate exceeded 8.5%. The CWA witness also suggested that the Commission prohibit the Applicants from pledging the stock of Verizon WV in its financing, or agreeing to certain term changes triggered by an increased leverage ratio less than 4.5x. CWA Ex. 2 at 68-69.

At hearing, Mr. Whitehouse of Frontier testified regarding his plan to arrange financing for the $3.333 billion payment. Frontier expected to enter the bond market and obtain a substantial portion of its financing in early 2010. Tr. 1/13/10 at 149,150. He noted that commitment letters for the $3.333 billion payment would be a very costly expense that he characterized as unnecessary. Frontier Ex. 3 at 52-53.

The Commission understands the cost of commitment letters, but was concerned about the uncertainty of the financing. On April 5, 2010, however, the Applicants supplemented their March 3, 2010 response to the March 1, 2010 Commission Order, directing them to file true copies of any amendments to the agreements. In addition to Amendment No. 2 to the Distribution Agreement and an agreement relating to intellectual property, the Applicants filed a press release attached to a United States Securities and Exchange Commission (SEC) filing, announcing that Frontier has secured $3.2 billion in financing for the distribution portion of the

[5]As an alternative to a cash payment, the Applicants could have agreed to a debt exchange. Merger Agreement at §7.18.

merger. The release noted that the bond proceeds will go into escrow until closing. The bonds include $500 million of senior notes at a annual interest rate of 7.875%, maturing in 2015; $1.1 billion of senior notes at an annual interest rate of 8.25%, maturing in 2017; $1.1 billion of senior notes at an annual interest rate of 8.5%, maturing in 2020; and $500 million of senior notes at an annual interest rate of 8.75%, maturing in 2022. April 5, 2010 Letter from Applicants.

The Commission takes administrative notice of the press release attached to the SEC Form 8-K the Applicants filed with this Commission on April 5, 2010. The Commission finds that Frontier has now obtained substantially all the financing necessary to fund the approximately $3.333 billion payment from Spinco to Verizon. The interest rates on the face of the bonds fall under the 9.5% rate ceiling that would have allowed Frontier to withdraw from the Transaction. CAD Ex. 1 at 137. Indeed, most of the financing falls at or below the interest rate ceiling CWA proposed as a condition to Commission consent to the Transaction in its pre-filed testimony. CWA Ex. 2 at 69. After reviewing the documents the Applicants submitted, the Commission finds that the financing Frontier obtained to fund the $3.333 billion payment is reasonable. That financing counters suggestions from the Intervenors regarding separate financing approval or arguments that finance costs are unknown and satisfies the concerns of the Commission. The Commission therefore declines to place financing conditions on the Transaction beyond requiring the Applicants to apply the financing described in the attachments to the March 26, 2010 SEC Form 8-K to the merger, unless cancelled.[6]

4. Financial Viability

In addition to concerns the Intervenors raised regarding Frontier dividend practices and the lack of substantial information on the cost of financing, the Intervenors also argued that the structure of the Transaction will leave Frontier and its new subsidiaries in the untenable position of having declining revenues, expansive dividend payouts, a heavy debt burden and the need for extensive network investment. The Intervenors also question the reliability of financial projections tendered by the Applicants showing that the combined entity is a viable business and also question any projected synergies that emerge from the Transaction.

a. Deleveraging

Excluding consideration of dividend payout ratios and infrastructure costs, the Intervenors also asserted that the post-merger Frontier will suffer from a substantial debt burden serviced from declining revenues. The CWA argues that the $3.333 billion debt load on the new company will be too high to adequately service, particularly compared to the current Spinco debt load. CWA Ex. 2 at 31-32. If the Transaction was to go forward, CWA recommended some type of joint venture between Verizon and Frontier or a warranty by Verizon regarding Spinco properties. Id. at 62-65. The Applicants counter that the CWA analysis is flawed because it omits debts held at the holding company level that benefit Spinco operations. The Applicants

[6] The Intervenors also argued that the Frontier credit ratings impair its ability to raise capital on reasonable terms. The Commission finds that the current financing refutes that argument. Credit ratings alone are not a substantial determinant of reasonableness of a transaction under W.Va. Code §24-2-12.

also assert that the net result of the Transaction will be to deleverage Frontier. Joint Application at 12. Accounting for the overall Verizon capital structure, the Applicants argue that the merged company will have a similar debt load to the current Verizon structure. Frontier Ex. 3 at 27-29.

The Commission believes that the projected debt load Frontier will incur in the Transaction is manageable and reasonably similar to current Verizon debt, accounting for debt held at the holding company level. The Commission does not find that the level of debt represented by the Special Payment from Spinco to Verizon, limited by agreement to a maximum of 1.7 times earnings before interest expense, taxes, depreciation or amortization (EBITDA), is unduly burdensome compared with a similar leverage ratio for the full Verizon corporate capital structure. Id. at 16-17. The post-merger Frontier debt load after the transaction will be deleveraged to a range between 2.2 and 2.6 times EBITDA from 3.8 times EBITDA. Id. The Commission finds that the resulting leverage ratio is reasonable, and should not unduly burden Frontier. Finally, the Commission believes that the ability of Frontier to obtain financing for the Special Payment reinforces the Commission conclusion that the leverage ratios resulting from the Transaction are manageable and will allow Frontier to continue to raise capital in the future.

b. Revenue Projections

Finally, the Intervenors argued that the Commission should reject revenue projections from the Applicants as overly optimistic and unreliable. CAD and the CWA filed testimony criticizing the assumptions and financial projections the Applicants put forward in support of the Transaction. CWA Ex. 2 at 37-46; CAD Ex. 5C at 32-39. The Intervenors assert that the synergies Frontier predicts from the merger of at least $500 million are unlikely to materialize. Id. In addition to their assertions about unrealistic synergy projections, CAD and the CWA argue that revenues for current Spinco utilities will continue to decline. Id. The Intervenors also contend that Frontier neglected to perform sufficient due diligence in verifying Verizon financial statements or the condition of physical plant, particularly Verizon WV copper plant. CWA Ex. 2 at 48, CAD Ex. 4 at 26. Thus, the Intervenors assert that the merger may not be financially viable and should be rejected on that basis.

The Applicants countered the concerns from the Intervenors regarding their financial projections. Frontier asserted that even without synergies, the combined entity will be financially viable. Frontier Ex. 3 at 57. At hearing, it defended its synergy projections by arguing that it will be able to increase efficiencies from combining the existing two sets to administrative personnel into one, flattening the management hierarchy of existing Spinco utilities, and in West Virginia combining the existing Frontier "islands" with surrounding Verizon WV resources. Tr. 1/13/10 at 113-115, 131-133; and Frontier Ex. 3 at 9; Frontier Ex. 2, generally. Frontier also argued that its business plan is workable and will stem the pattern of line losses with Verizon WV. That business plan relies on the expansion of broadband internet access to customers in Spinco territories to retain customers along with the use of its aggressive marketing strategies to stabilize revenue. Frontier Ex. 3 at 10. Verizon witnesses testified that the financial statements it provided for the Spinco properties are accurate and verified by standard accounting practices. Verizon Ex. 2 at 19-20. Frontier assured the Commission that its diligence process in evaluating the Spinco properties was adequate. It noted that Verizon

provided access to data regarding various financial records for the affected properties. Frontier Ex. 2 at 26-27. Frontier subsequently visited certain central offices. CAD Cross Ex. 7.

Although the Commission would be concerned if there was no review of the Spinco properties, it is not the function of the Commission to mandate the nature and extent of that "due diligence" property review. These are sophisticated parties represented by experienced lawyers, accountants and advisors. Property records may be adequate to review, and it is certainly subject to debate whether a visual inspection of some portion of the properties would provide a clearer picture of the nature of any problems than would be revealed by a review of property records, customer complaint records and other maintenance and plant related documents. Under the current circumstances, the Commission cannot find that Frontier has failed to adequately review Verizon WV. The Commission addresses the condition of Verizon WV physical plant separately in Section III.F below.

The disagreement between the parties regarding the accuracy of Frontier financial projections essentially calls on the Commission to attempt to predict the future and thereafter determine how accurate the Applicants may be at prognostication. The Commission has noted in other contexts that financial models are useful for guidance, but projections represent artful analyses rather than exact science for determining precise answers. See, Hope Gas, Inc., Case No. 08-1783-G-42T (Commission Order, November 20, 2009) at 11 (Hope Rate Case). The Commission views the financial models as general guides and information showing that if properly managed, the combination of current Frontier and Spinco utilities can be financially viable. Each party presented examples of mergers where synergies either did or did not occur. See, Frontier Ex. 2 at 89 and CAD Ex. 4 at 47. The Commission does note that by combining existing Frontier and Verizon WV territory, the merged entity will assemble various pieces of ILEC territory into a nearly seamless whole across West Virginia. Frontier Ex. 6 at Ex. BJG-1. While the Commission will not venture to predict what synergies Frontier will reap from the merger, it believes that some synergies will occur from the Transaction, and in any event Frontier is not relying on synergies to make the Transaction feasible.

The Commission finds that the Frontier business plan, including its expansion of broadband internet service, flattening of the existing Verizon WV management structure and its marketing strategy, coupled with the conditions of this Order, is a reasonable approach under the current business climate. This business plan substantially contrasts with the apparent reticence of Verizon to invest in West Virginia and provides some incentive to approve the Transaction. The Commission believes that Frontier has shown that its business plan works in its existing territories and has produced smaller line losses than the current losses in Verizon WV territories. Tr. 1/14/10 at 235. The business plan appears to be a reasonable response to what is currently a declining utility landline business. The Commission notes that no party has suggested that denying the Transaction will have a positive effect in stemming line losses or stabilizing revenues over the long term. Mr. Gregg did predict that traditional landline business would eventually stabilize, but did not venture a specific point of future equilibrium between landline service and its competitors. Tr. 1/14/10 at 226,227. The Intervenors instead argued that Verizon is better able to maintain the necessary telecommunication infrastructure instead of being better able to manage the telecommunication business. See, Initial Briefs of Intervenors. The Commission does note certain concerns with Frontier marketing practices, but addresses those

concerns in Section III.G.1. Therefore, the Commission does not reject the Transaction on the basis of the financial projections presented in this matter or assertions that the Frontier business plan is not viable.

F. Operational Risks

Another area of contention regarding the proposed merger Transaction is the allegations about the technical risks surrounding the various operational aspects of the transfer of Verizon WV to Frontier. One asserted risk is that the cutover of operating systems from Verizon to Frontier control will go awry. A second technical risk is that Frontier has substantially misjudged the state of the existing Verizon WV telecommunications infrastructure. The state of current Verizon WV telecommunications infrastructure also has a financial component because several Intervenors have recommended conditions requiring Verizon to tender varying amounts to refurbish its copper network. The Commission will also address several other recommendations relating to the prospective operation of Verizon WV by Frontier.

1. CLEC Settlements

At the beginning of the evidentiary hearing in this matter, the parties presented two separate stipulations for Commission approval of the merger including (i) a settlement between Frontier and the CLEC intervenors and (ii) a second separate settlement with the Applicants and Comcast. The settlements are similar in most material respects and address how Frontier will approach wholesale operations before and after the cutover. Frontier agreed to adopt a testing regimen for verifying the interoperability of Frontier and CLEC systems for e-bonded wholesale ordering through its Synchronoss system.

Frontier will create a change process and escalation policy similar to those currently used by Verizon WV. Frontier also made concessions to maintain current wholesale offerings and rates for up to three years and agreed to refrain from reclassifying its wire centers under federal statutes. Frontier agreed to spend $12 million of its capital expense budget through 2011 in West Virginia to meet retail and wholesale service metrics. Verizon will also back up current records by maintaining a customer record archive for twenty-four months. Each settlement also contained a provision allowing settling parties to elect terms from the other settlement if desired. Joint Stipulations 1 and 2.

After review of the settlements, the Commission will accept them as a reasonable resolution of differences between the settling parties except for the provision relating to the withdrawal of testimony by Comcast and the CLECs. The Commission, instead, admitted testimony tendered by Comcast and the CLECs into evidence at the evidentiary hearing. The conditions will otherwise be incorporated into this order as Attachments 1 and 2 to Appendix A. That testimony helps us assess the original objections of the CLECs and the way in which the settlements may address those objections. We believe that the terms of the settlements are reasonable. The settlements will enhance several aspects of the cutover that formerly troubled the CLECs, including assuring that Frontier and CLECs can exchange wholesale ordering data before the cutover. The terms of the settlements should also enhance wholesale service and reduce retail prices. Therefore, the settlements are adopted.

2. Cutover

Under the Transaction, cutover of Verizon WV to Frontier will occur at closing. Spinco territories in other states will initially use a replicated system modeled on existing Verizon data facilities. The cutover includes all networking functions such as transport of voice calls to long distance carriers, data connections to the internet for existing broadband customers, customer service for repairs, billing and the provision of wholesale services to CLECs. Verizon Ex. 1 at 11. According to the Applicants, services including billing, customer service and wholesale provisioning, will be transferred to the existing Frontier customer services platform from Verizon through a data extract from several existing Verizon systems. Frontier Ex. 5 at 33-34. The Applicants have also created a cutover plan listing the steps that each Applicant must complete before cutover. Verizon Ex. 1 at 12; Frontier Ex. 5 at 29.

The Applicants testified and assured the Commission that they have experience in the transfer of lines from one corporation to another and noted that line transfers are a common occurrence. Frontier pointed to its recent successful cutover to its current operations platform of lines purchased in Pennsylvania, New York and other states. Frontier Ex. 1 at 54-55. Verizon noted that it has successfully transferred lines in Kentucky and Missouri. Tr. 1/15/10 at 42-43. Verizon also asserted that the problems in Hawaii and New England arose, not from the cutover, but from subsequent failures in the new systems designed by each buyer. Verizon Ex. 2 at 4. The Applicants oppose any type of monitoring by an outside party. App. Initial Brief at 45. Verizon also cautioned against a third-party audit reasoning that, instead of assuring a smooth cutover in the FairPoint transfer, it actually acted as an impediment. Tr. 1/15/10 at 70-71.

While the Transaction as originally structured appeared to neglect including the CLECs in the cutover testing, the CLEC settlements established a testing process to allow them to iron out potential wholesale problems before the cutover. The settlements also allayed concerns of the CLECs regarding the ability of CLECs to "e-bond" with the Frontier ordering system and thereby obtain realtime ordering status. Frontier also represented that it will probably implement the Synchronoss gateway for existing property before the cutover. Joint Settlements 1 and 2.

The Intervenors argue that the Applicants are essentially "glossing over" the difficulty in successfully completing a cutover of 600,000 lines at closing. They cite the difficulties experienced by some other telecom corporations purchasing Verizon properties as justification for caution about the assurances from the Applicants regarding the cutover. CAD Ex. 1 at 18. The Intervenors also assert that Frontier management will be severely taxed by operating its current properties along with (i) successfully completing a flash cutover in West Virginia and (ii) simultaneously acquiring the replicated system for other new customers subject to the Transaction. CAD Ex. 1 at 32-33, CWA Initial Brief at 23.

As a means to satisfy their concerns regarding the cutover, the Intervenors proposed a range of different conditions. DOD suggested that the Commission direct the Applicants to use a mechanism in which Verizon retains financial and operational interests in Verizon WV. DOD Ex. 1 at 29. As examples of continuing involvement, DOD suggested to Frontier that it include (i) joint responsibility for the cutover, (ii) compensation from Verizon for a failed cutover, (iii)

third party certification of the cutover or (iv) some sort of reversion of control to Verizon if Frontier performance or financial health are jeopardized. Id. at 30.

The CWA also made a series of recommendations regarding the cutover. CWA witness Baldwin recommended that the Commission condition the merger on Verizon retaining some interest in Verizon WV after closing and a third party audit of the cutover before it occurs. CWA Ex. 4 at 71. She described the audit as independent third party tests of the functionality and reliability of the new systems to assure that Frontier will be able to process billing, repair orders, personnel deployment and wholesale orders. Id. at 71-72. The witness also asserted that the audit should be straightforward and not be time consuming. Id. at 131.

The parties have expressed some level of concern with both the size and the intricacy of the cutover of Verizon WV from Verizon to Frontier and the lack of assurance from a third party that the cutover will succeed. Verizon and Frontier are both experienced telecommunications operators and have high levels of technical competence as demonstrated by their history of operating telephone infrastructure in West Virginia. The Commission is not convinced that putting a third party consultant into the middle of this conversion will assure a smooth transition. The risks from a failed cutover are serious, but both Verizon and Frontier have assured a timely and orderly transition. Settlements entered with the CLECs, our familiarity with Verizon and Frontier and the successful track record Frontier has demonstrated in other cutovers justify rejecting the request for any type of cutover audit.

The Commission encourages the Applicants to keep Staff informed of their progress on the cutover and promptly to alert the Commission of any contemplated problems and their solutions. Quite frankly, we are wary of involving additional groups in what is already a very complex undertaking. The Commission also rejects any attempt to use the cutover to change the fundamental structure of this merger or to void the tax expectations of the parties.

3. Broadband Discussion

The Applicants provided considerable testimony discussing the value of expanded broadband internet access to current Verizon WV customers as a benefit of the Transaction. Frontier consultant Gregg listed broadband as a primary reason for approving the Transaction. Frontier Ex 6 at 10.[7] Initially, the Applicants did not specify a timetable or specific expansion plan. Frontier subsequently presented a commitment to the Commission to expand broadband access to 85% of households in Verizon WV service territory within four years of closing on the Transaction. CR1 Condition 4. To implement the broadband internet expansion, Frontier agreed to spend $48 million in addition to other capital expenditure commitments. Id. at Condition 3.

The Intervenors have presented a number of alternative timelines and broadband expansion goals in lieu of the Frontier pledge, including a general recommendation to specify a timetable for broadband expansion from Staff and a recommendation to expand broadband

[7] The Commission is quite familiar with Mr. Gregg and values his knowledge of telephony not only in West Virginia but nationwide. Mr. Gregg is a qualified witness, having experience as the original and long-serving Director of the Consumer Advocate Division in West Virginia.

access to all Verizon WV customers by 2015 from CAD. Staff Ex. 1 at 31 and CAD Ex. 1 at 143. The CWA also recommended that the Commission condition the merger on Verizon establishing a broadband escrow fund for use in Verizon WV territory. CWA Ex. 4 at 142.

The Commission has reviewed the testimony regarding broadband expansion, including both the assertions from the Applicants urging their plans as a reason to consent to the Transaction and the recommendations for specific expansion plans from the Intervenors. The Commission does not exercise regulatory jurisdiction over broadband internet access, despite the fact that much of the internet access in West Virginia transits regulated utility lines. Tr. 1/14/10 at 107. Achieving expanded broadband internet access would be a substantial benefit for West Virginia residents and is an explicit State goal. The Commission does believe that greater broadband access is likely from the merger and has weighed that factor in reviewing this Transaction.[8]

The Commission has incorporated in Appendix A a condition for Frontier to expand broadband internet access to no less than 85% of households in Verizon WV territory within four years after closing with a $48 million financial commitment. That broadband commitment is certainly a benefit, much the same as Frontiers commitment to locate regional headquarters in this State, and the Commission can consider this factor in its decision. The Commission declines to impose additional conditions on Frontier regarding broadband internet expansion at this time, but does urge Frontier to work expeditiously to expand broadband in current Verizon WV territories as quickly as possible. The West Virginia Legislature has stated in clear terms that it is the primary goal of the Governor, the Legislature and the citizens of this State to make every area of this State, "border to border," accessible to internet communications through the availability of broadband. W.Va Code §31-15C-1.

Finally, the Commission will deny the CWA request for further hearing to take additional evidence regarding how the planned Frontier offerings comport with the new FCC broadband plan. CWA Petition for Further Hearing. As the Applicants correctly noted, the FCC will separately review the Transaction. The Commission, therefore, leaves any review related to the new broadband policy to that agency. May 3, 2010 Letter from the Applicants. The Commission believes that the record presented at hearing is sufficient to support its conclusion that the Transaction will expand broadband access to customers in the Verizon WV service territory and fails to see any benefit from the CWA proposal. Litigation in this proceeding has already consumed substantial time and additional delay without offsetting benefit is unjustified.

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[8] West Virginia statute defines broadband as a telecommunications capability with a data rate of at least 200 kilobits per second that has the capacity to be always on and does not require a dial up connection. The Legislature has not adjusted this definition in response to the new FCC broadband plan or any other recent change in circumstances. See, W.Va. Code §31-15C-2(a) (2008).

4. Deficient Plant

Another asserted technical risk to this Transaction is that Frontier will obtain a substantially deficient network compared to the representations Verizon made before closing or at hearing. At hearing, Verizon assured the Commission that its network is in "appropriate shape" and the business is in "good shape." Tr. 1/15/10 at 35-36. Verizon also noted that its network has a fiber optic backbone between offices. Verizon Ex. 2 at 7-8. Frontier witnesses stated that an engineering survey by Frontier employees in late 2009 observed several problems with existing Verizon plant, but Frontier expressed confidence that Frontier could correct the problems it discovered. Tr. 1/13/10 at 107. Frontier also agreed to address the need for additional plant maintenance at hearing by promising capital spending in the second half of 2010 of $30 million, $75 million in 2011, $63 million in 2012 and $63 million in 2013. The $75 million includes a $12 million commitment made to the CLECs in their settlement that essentially extends the NSP. CR1 Condition 2 .

The Intervenors, however, argue that Verizon WV service quality has declined over several years and Verizon has not made necessary improvements. CAD Ex. 6 at 16; Tr. 1/15/10 at 198. CAD noted that, while complaint levels have recently declined, the current statistics substantially exceed complaints from five to eight years ago. Tr. 1/15/10 at 201. CAD also disputed the viability of the current NSP. Id. at 201-202. CAD asserted that Frontier has not accounted for investment needed to remediate Verizon WV plant to restore quality service. CAD Ex. 6 at 17. Thus, CAD recommended that the Commission condition any merger on Verizon providing an escrow to address quality of service. CAD Ex. 1 at 138; Ex. 4 at 48-49. Staff is also concerned that Frontier did not account for the quality of Verizon WV plant in its evaluation of the Transaction. Staff Ex. 1 at 30. Staff requested that the Commission consider a January 2010 increase in informal complaints, although Verizon noted adverse weather during the period. Staff Motion to Supplement Record and Verizon Response. CWA noted a failure on the part of Verizon to repair lines in a timely manner, and expressed concern that Frontier will need to allocate additional resources to improve and maintain service quality. CWA Ex. 4 at 125.

The level of service provided by Verizon WV and the need to upgrade its plant, increase its ability to respond to service complaints and assure that it meets service call metrics was more appropriately considered in Case No. 08-0761-T-GI, and the Commission has addressed short falls in Verizon WV service quality in the May 10, 2010 Order in that case.

5. E-911

In its direct testimony, the Applicants included an addendum discussing how the Transaction affects E-911 service. The Applicants represented that the proposed transfer would require realignment of the selective routers in northern West Virginia into a redundant three router design. Verizon Ex. 1 Addendum at 5-6. After closing, Frontier will assume operation of E-911 service in West Virginia from Verizon using the same personnel that currently provide E-911 service. Id. Frontier assured E-911 functionality provided by Verizon WV at closing. CR1 Condition 15. At hearing, Frontier witness Swatts testified that the Applicants presented their E-911 plans to the E-911 council for review. While the E-911 council elected to remain

neutral regarding the Transaction, they endorsed the network changes described in Verizon Ex 1. Tr. 1/15/10 at 244.

The Commission is satisfied that the E-911 plan presented by the Applicants will provide effective telecommunication service to public service answering points and the community-at-large, but will direct that Frontier include a status update on any problems encountered with E-911 service and the operation of the reconfigured routers in its first quarterly report on integration of the combined entities discussed below.

6. Tariffs, Agreements and Pricing

Frontier represented to the Commission that it is willing to adopt rates currently charged by Verizon WV after the merger. This includes Verizon WV tariffs, price lists and contracts under the same terms at closing, as well as long distance rates of Verizon WV and other interexchange carriers involved in the Transaction. It also agreed to cap all regulated rates for the first year after closing. CR1 Conditions 10-11, Frontier Ex. 1 at 35 and Frontier Ex. 2 at 11. At hearing, Frontier agreed to hold retail customers harmless from costs associated with the Transaction. Tr. 1/15/10 at 246.

In separate settlements with Comcast and the CLECs, Frontier also agreed to hold those wholesale customers harmless from the costs of the proposed Transaction and extend current wholesale pricing for thirty-six months. Joint Stipulation 1 at 2 and Joint Stipulation 2 at 6, 9. Frontier also agreed to reimburse CLECs up to $15,000 for certain expenses incurred from the Transaction. Joint Stipulation Ex. 1 at 6.

The Intervenors in this matter made a series of proposals to extend the rate cap Frontier proposed for retail customers. CAD recommended that the Commission condition approval of the Transaction on Frontier capping broadband prices at speeds of one or three Mbps for two years, prohibit migration of any current Verizon WV customer to a plan with higher rates or more service and freeze telephone rates for two years. CAD Ex. 1 at 138-9. Staff recommended a five-year rate freeze. Staff Ex. 1 at 32. DOD recommended a three-year rate cap. DOD Ex. 1 at 33.

The Commission finds that the conditions offered by Frontier along with the pricing agreements contained in the CLEC and Comcast settlements as modified and set forth in Appendix A, are a reasonable balance of consumer interests against the long-term health of Frontier. The Intervenors to this matter have filed extensive testimony criticizing the financial health of Frontier and warning of the consequences of Frontier being underfunded going forward. The Intervenors, however, expect the Commission to simultaneously direct Frontier to expand its broadband service, improve service quality and impose long-term rate caps or freezes as conditions to the Transaction. The Commission will not place Frontier in that unrealistic squeeze. Frontier will likely be subject to market forces including CLEC and wireless competition[9] in many areas of current Verizon WV territory and competition from numerous other carriers for its long distance customers. These forces should restrain Frontier rates without

[9] See also, January 30, 2009 Verizon WV filing in Case No. 09-0090-T-PC.

Commission intervention and therefore the Commission rejects additional pricing conditions beyond those agreed by Frontier.

7. Reporting Requirements After Closing

The intervenors to this proceeding have made several recommendations to require that Frontier or the Applicants generally produce reports regarding what is currently Verizon WV after closing of the Transaction. For example, Staff requested that Frontier provide specifics on how it would carry out plans to comply with the various existing service quality metrics. Staff Ex. 1 at 31. Frontier has agreed to continue Retail Quality of Service Plan (RQSP) reporting requirements after closing. CR1 Condition 6.

CAD recommended that the Commission not only extend the monthly reporting requirements of the RQSP, but also impose reporting requirements (i) for performance of the cutover systems, (ii) quarterly reporting on the integration of business, repair office and billing system operations and (iii) quarterly reporting on consolidation of network operations and associated staffing, maintenance and investment. CAD Ex. 1 at 133, 139, 150-51. CAD argued that some of its proposed reporting requirements are needed because of a lack of specifics in filings from the Applicants regarding integration of operations. Id. at 150. The CWA also recommended post-closing reporting requirements including a detailed progress report on broadband deployment along with comprehensive data about its broadband infrastructure and capabilities. CWA Ex. 4 at 143-144.

The Commission agrees with some of the reporting requirements suggested by the Intervenors to this matter. The Commission will require Frontier to continue to provide data under the December 9, 2008 RQSP on a monthly basis at this time and following closing. Considering the complex nature of the challenges remaining to Frontier after closing and cutover, and the Commission's desire to stay informed of the status of the undertakings in the Transaction, a series of quarterly and annual reports are justified. The reports will be due beginning on November 1, 2010, for the third calendar quarter and quarterly thereafter through 2011. Thereafter, the reports will be due annually for three years unless the requirement is changed by the Commission. These reports will include:

A. A detailed showing of the current financial status of Frontier at the corporate level and for each operating subsidiary conducting business in West Virginia including current Verizon WV, NOLD and Citizens.

B. A description of progress made in deployment of broadband in current Verizon WV territory including a breakdown of the expansion by wire center and an estimate of added broadband coverage.

C. A description of the status of business integration including repair office and billing system operations.

D. A description of changes to network operations and associated staffing, maintenance and investment other than broadband investment.

Frontier will file these reports as closed entries in this proceeding with copies to all parties requesting copies of the reports. Finally, the RQSP reports should contain information detailing future plans to comply with the RQSP quality metrics and E-911 integration should be included in the first quarterly report.

8. Proposed Quality Metric Penalties

Several of the Intervenors proposed that the Commission condition its consent on establishing penalties against Frontier and Verizon as incentives to prevent further deterioration in service quality in Verizon WV territories. Frontier agreed in testimony and at hearing to assume the current Verizon WV obligations under existing quality metric standards including the RQSP in Case No. 08-761-T-GI, existing wholesale standards contained in the West Virginia Carrier to Carrier Guidelines (C2C) and the current Performance Assurance Plan (PAP). Frontier Ex. 1 at 38; CR1 Conditions 6, 17. The Applicants, however, did not support additional penalties for failing to meet these standards.

DOD recommended establishing a system based on dividend restrictions for falling below standards established in the RQSP, C2C guidelines or the PAP. DOD Ex. 1 at 25. DOD also suggested alternative penalties including fines and customer billing credits for failing to meet quality benchmarks. Id. at 25-27. The DOD witness, however, noted that financial sanctions are not effective if Frontier is not financially healthy. Id. at 28.

The CWA also suggested that the Commission enforce existing quality metric standards by conditioning consent for the Transaction on commitments, including forcing Verizon to maintain a financial interest, such as a partnership interest or warranty, until Frontier has achieved certain benchmarks. CWA Ex. 2 at 62-64, CWA Ex. 4 at 71. CWA also recommended an escrow fund with a deposit of two years of penalties to assure service quality. CWA Ex. 4 at 146. Along with the escrow, CWA recommended a penalty structure where each percentage point that Frontier fell below a benchmark translated into a $7,500 fine up to a maximum annual penalty of $15 million.

The Commission notes that wholesale carriers participating in this matter presented a settlement containing a provision adopting the current C2C and PAP guidelines, but not including a further mechanism to enforce wholesale quality metrics. Joint Stipulation 1 paragraph 4; Joint Stipulation 2 paragraph 2d. The Commission will not impose further penalties for wholesale service that the wholesale providers themselves have not requested. The existing provisions of the C2C and PAP are sufficient protection for wholesale service quality, coupled with the financial commitments provided in the settlements and in this Order.

The Commission differentiates the RQSP from the C2C and the PAP because the RQSP is an ongoing proceeding before the Commission remediating existing retail service quality problems. In that matter, the Commission recognized a need for Verizon WV to implement changes necessary to meet the improved customer service standards. Verizon West Virginia Inc., Case No. 08-0761-T-GI (Commission Order, December 19, 2008). The RQSP includes increasing customer credits based on the amount of time a customer is either without service or has a service affecting problem. RQSP at 3-4. Beyond the increasing quality metrics and

customer credits, Staff and CAD reserved their right to seek additional penalties in response to a pattern of RQSP violations. Id. at 5.

The Commission believes that the RQSP already incorporates some of the suggestions provided by DOD and supports the purpose behind the CWA recommendations. While the Commission refuses to add penalties in this proceeding beyond the RQSP regarding retail service quality, the Commission has addressed the service quality issue as discussed above to assure continued improved copper plant and improved customer service metrics. Verizon, Case No. 08-0761-T-GI (Commission Order May 10, 2010). Finally, the Commission notes that it retains and reserves all its statutory tools to compel improved service quality as needed. W.Va. Code §§ 24-2-7 and 24-4-1 et seq.

G. Other Impacts

In addition to the two asserted risk areas discussed above, the Intervenors cited several other concerns that they contend are potentially adverse to consumers. Those concerns include Frontier sales practices and preparations to handle additional customer service calls immediately after the West Virginia cutover.

1. Frontier Sales Practices

Staff and CAD presented testimony criticizing several aspects of the current practices Frontier employs in marketing telecommunications services including the actual cost of those services and early termination fees. Frontier points to its marketing strategy and focus as one reason that it is able to succeed in rural telecommunications markets. Frontier Ex. 1 at 19-21. When considering marketing programs, the Commission must balance conditions to allow consumers to make informed choices while not substantially burdening Frontier in a competitive telecommunications market. The Commission finds that three aspects of the Frontier marketing practices merit scrutiny, including: (i) its "free computer" program, (ii) how Frontier will give customers notice of the merger and handle termination fees in that notice and (iii) download caps on its internet service.

a. Free Computer Program

One tool that Frontier has used successfully in marketing broadband internet service is its "free computer" or "free ride" program. Frontier has previously used this marketing strategy in its existing territory. Frontier Ex. 1 at 15. The program involves the customer obtaining a desktop or laptop computer from Frontier without upfront cost in exchange for a term commitment to purchase broadband internet services, generally as part of a service bundle. Id. Frontier points out that a computer is a prerequisite for a customer subscribing to its internet service. Id. Frontier offered to expand this program to the current Verizon WV territory after the merger and eventually include installation by a technician as part of the program. CR1 Conditions 12, 13.

Staff expressed concern that this and similar Frontier marketing programs include hidden costs, long term contracts and termination fees that may not be obvious to Frontier customers.

Staff Ex. 1 at 18-20. Staff recommended that the Commission condition its consent to the Transaction on a prohibition against either contracts exceeding one year or termination fees. Staff also requested that the Commission require Frontier to explain the comparative costs of programs including its service bundles and the "free computer" program. Id. at 31. Frontier consented to the Staff condition relating to explaining the comparative cost of its bundle offerings. CR1 Condition 12, Frontier Ex. 2 at 10.

The Commission will impose the condition relating to informing customers of the comparative costs of bundled services with various unbundled options. The Commission expects Frontier to provide that information to its West Virginia customers in a straightforward and comprehensible manner when offering bundled services, including the "free computer" program. The Commission however, declines to prohibit contract periods exceeding one year and notes that many consumer telecommunications contracts routinely exceed one year. The Commission expects Frontier to adopt termination fees that are not punitive and that reflect no more than the actual cost incurred by an early contract termination. Frontier will prominently disclose those termination fees and all terms and conditions of special contracts with customers and will include a plain-English description of those fees or terms and conditions within the body of the offer, agreement or contract with customers. Use of unnumbered or non-sequential footnotes, endnotes or other disjointed references to fees or other conditions will not be acceptable, and Frontier will be required to agree to not use such techniques.

b. Transfer Notices and Termination Fee Waiver

CAD recommended that the Commission condition its approval of the Joint Application on Frontier providing substantial notice to current Verizon customers along with an opportunity to give their services a "fresh look" within ninety days of the merger. CAD contemplated individual written notice of the transfer describing changes in service and bill formatting, a comparison between current and revised service and an internet tutorial. CAD argued that the notice it recommended be accompanied by an opportunity for consumers to terminate existing service agreements without penalty. CAD Ex. 1 at 147-149. The Applicants opposed the CAD proposal, arguing that CAD did not put forward any evidence justifying its proposals. App. Reply Brief at 75-6. As noted above, Staff also opposed early termination fees or long term contracts. Staff Ex. 1 at 31.

The Commission believes that after closing of the Transaction, Frontier should provide written notice to its customers of the merger. In this case, however, the Commission does not see a need to prescribe the format of that notice as long as individual customers are notified of the transfer. That notice can be accomplished as CAD recommended or by an insert in the normal monthly billing. The Commission will require that the Applicants, including both Frontier and Verizon, waive early termination fees for contract termination on service bundles for a period of ninety days after closing because at least some of their bundles will be severed through no fault of the customer. The Applicants will include a clear plain-English notice of the limited fee waiver in their notices of the merger.

c. Download Caps

CAD also recommended that the Commission condition its consent to the Transaction on a prohibition against any type of aggregate upper limit on the amount of downloads in a given period of time (download cap). CAD argued that a download cap diminishes the value of broadband internet service that in the case of Frontier is more expensive than current Verizon service. CAD Ex.1 at 146-7. The Applicants reject the CAD recommendation, arguing that any type of misuse of residential broadband service may congest its network. App. Reply Brief at 75.

The Commission agrees with the general proposition that Frontier should have the freedom to prevent abuse of its broadband offerings to residential customers, but also finds that a download cap is a burdensome limitation. The Commission is concerned that the download cap, even if reasonable under current technology, will be quickly overtaken by the future advances, vitiating the benefits offered by the Applicants in this proceeding.[10] Therefore, the Commission will condition approval of the Transaction on Frontier electing to forego any internet download caps or any similar mechanism limiting download amounts for customers. This condition, however, does not prevent Frontier from restricting abusive practices in its West Virginia operating territories upon approval by this Commission.

2. Cutover Staffing

The CWA proposed a condition in its pre-filed testimony to require Frontier to commit sufficient resources in West Virginia to coincide with the cutover to handle any possible spikes in customer calls and complaints. CWA Ex. 4 at 131. Ms. Baldwin recommended that the Commission direct Frontier to provide a report outlining its plans before the cutover occurs. Id. Frontier stated that it intends to make additional personnel available to assist with making a smooth cutover. Frontier Ex. 5 at 34. Frontier has recently performed several cutovers including its Pennsylvania and New York utilities. Verizon Ex. 2 at 42.

The Commission agrees that Frontier has demonstrated that it has experience successfully cutting over other properties of a similar size to Verizon WV to its operating systems. The Commission expects Frontier to be prepared at cutover for additional customer complaints that may occur, but will not require additional reporting in advance of the cutover other than our earlier requirement to keep Staff advised of the timing for, and any problems with, the cutover. Therefore, the Commission declines to require the report suggested by CWA in testimony from Ms. Baldwin.

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[10] The Commission also notes that the Applicants acquiesced to this condition in the parallel Washington proceeding. Verizon Communications, Inc., et al., Docket No. UT-090842, service date April 16, 2010.

3. Carrier of Last Resort

The practical effect of this Transaction will be to vest Frontier with the vast majority of ILEC service in West Virginia. While most wire centers do have some form of competition, Frontier will be a necessary component of most landline telephone service. Therefore, the Commission designates Frontier as a carrier of last resort that provides service to customers in the event that a competing landline ceases to provide local or IXC service. Any such service assumed by Frontier at the request of a customer or the Commission will be provided at the then current Frontier rate for the assumed service.

4. Labor Commitments

In addition to conditions relating to other aspects of the Transaction, Frontier offered various conditions relating to the labor force it will have in place at and after the merger. Frontier agreed to honor existing labor contracts and assume pension liability for active Verizon WV employees that transfer at closing to the new entity. CR1 Conditions 16 and 17. Verizon agreed to fully fund the estimated liability Frontier is assuming for its new employees. Tr. 1/15/10 at 48. Frontier also agreed to locate its new Southeast regional headquarters in Charleston, West Virginia. CR1 at Condition 18. It will be the hub for engineering, technical, operational and executive personnel for Frontier's operations in West Virginia, Tennessee, North Carolina, South Carolina, Mississippi, Alabama, Georgia and Florida. Joint Application at 1,2. In prefiled testimony, CWA witness Baldwin recommended that the Commission ensure that Frontier devotes sufficient personnel to maintain the Verizon WV network. CWA Ex. 4 at 146.

The Commission will continue to monitor Frontier operation after closing of the Transaction and holds that the commitments Frontier and Verizon tendered are reasonable measures to maintain a viable workforce. Therefore, the Commission will incorporate Frontier labor commitments into the conditions listed in Appendix A to this Order. The Commission will also adopt a requirement that Frontier notify the Commission and justify any West Virginia staffing reduction of 5% or more at least thirty days in advance of any planned reductions.

H. Conclusion Regarding Transaction

In light of the foregoing discussion, the Commission concludes that the benefits presented by the proposed merger, as governed by the conditions of this Order, outweigh the negatives or the potential risks and that the Transaction as a whole will not adversely affect the public in this state. While any merger acquisition carries some level of risk that projected benefits will not come to pass or that possible risks may materialize into adverse impacts, the Commission has taken substantial time and effort to analyze the Application in this matter. While some of the proposed conditions may appear onerous to the Applicants, the Commission believes that they are warranted to safeguard against risks highlighted by the Intervenors. The Commission has also adopted conditions to assure that the proposed Transaction does not harm consumers. The Commission believes that Frontier can continue as a successful telecommunications utility in this State. The Commission is convinced that the benefits offered by Frontier, the management approach Frontier presented and the conditions imposed on the Transaction combine to a net

benefit for Verizon WV customers and the public generally. Therefore, the Commission will consent to the Transaction, subject to the conditions described above that are presented in total in Appendix A to this Order.

I. New Online and Long Distance Certificate

The Applicants filed a separate proceeding, Case No. 09-1600-T-CN, requesting a Certificate for NOLD to provide facilities based and resold IXC throughout West Virginia. The Applicants envision NOLD providing intraLATA and interLATA toll services, operator assisted calling and card services. The Applicants stated that NOLD would adopt the applicable portions of tariffs currently on file with the Commission for VLD and VES. The Applicants represented that NOLD would rely on its parent corporation, Verizon or Frontier as appropriate, to provide service. September 22, 2009 NOLD Application. The Applicants filed supporting documents with the Certificate application including West Virginia corporate authority from the West Virginia Secretary of State, and a Delaware Certificate of Incorporation. Id.

In response to the September 22, 2009 Commission Order, the Applicants published notice of the Certificate Application and subsequently filed the associated affidavits of publication. November 23, 2009 Applicant Letter. While the Commission has received numerous letters regarding the proposed Transaction, no one protested this aspect of the transfer. See, Case file 09-1600-T-PC generally. Staff recommended that the Commission hold this matter in abeyance pending a final decision regarding 09-0871-T-PC. December 15, 2009 Staff Memorandum.

The Commission finds that the Certificate request for NOLD is a reasonable extension of its decision to grant conditioned consent for the merger application. The Commission has made a substantial inquiry into the technical, financial and managerial abilities of the Applicants in connection with the transfer request and that review justifies this Certificate application. Therefore, the Commission will grant NOLD a Certificate to provide facilities based and resold IXC throughout West Virginia, conditioned on consummation of the Transaction. NOLD will file a tariff with this Commission equivalent to the applicable sections of the current VLD and VES tariffs before providing service in West Virginia.

J. Post-Hearing Exhibits

In addition to the pre-filed testimony, hearing exhibits and testimony, the parties filed a number of requests to add exhibits to the hearing record. These include (i) requests regarding supplements to CR2, (ii) requests to supplement RQSP data currently in the record, (iii) a request to submit an exhibit regarding the Frontier BTOP application and (iv) a request to take administrative notice of a recommended decision before the Illinois Commerce Commission regarding this matter.

1. DOD Motion to Reject Filing

At the conclusion of the evidentiary hearing in this matter, the Commission admitted a listing of commitments the Applicants offered regarding this matter as CR1[11] and clarified its expectations regarding CR2. Tr. 1/15/10 at 247-252. The Commission directed that the Applicants file CR2 on or before January 25, 2010, with comments from Intervenors due on or before January 27, 2010. Id. On January 21, 2010, the Applicants filed CR2[12], including a distillation of conditions from settlements in several other states considering the Transaction.

On January 27, 2010, DOD requested that the Commission reject CR2, characterizing the listing as inaccurate and incomplete. DOD asserted that CR2 did not include a complete listing of conditions from settlements in Illinois or South Carolina and excluded conditions imposed by the Public Service Commission of South Carolina. DOD requested that the Commission direct the Applicants to file a new verified exhibit. DOD also attached a series of conditions from a settlement in Illinois to its request. CAD noted similar omissions to CR2 and requested that the Commission consider its comments in addition to CR2. CAD Response to CR2.

The Applicants subsequently filed a revision to CR2 to reflect proceedings in Illinois, Oregon and Washington. February 4, 2010 Revision to CR2 from the Applicants. An additional supplement to CR2 filed on February 26, 2010, included approval orders from Ohio and Arizona. A further supplement included an approval order from Washington and denial of a reconsideration request in Ohio. April 21, 2010 Supplement to CR2. A fourth supplement added an approval order from the Illinois Commerce Commission. April 28, 2010 Supplement to CR2.

As the Commission anticipated at hearing, the parties disagreed regarding the proper approach to summarizing the conditions agreed or imposed in other jurisdictions. Tr. 1/15/10 at 247. The Commission, however, finds that the documents filed by the Applicants and the Intervenors, taken together, provide a fair representation of the conditions imposed on the Transaction in other jurisdictions or agreed by the parties. Therefore, the Commission denies the DOD request to reject CR2, but the Commission will also consider the comments from DOD and CAD to CR2 in fashioning the conditions to the Transaction. It is important to note that the conditions summarized in CR2 are only evidence of what other jurisdictions have required. The conditions specifically imposed by the Commission on the Transaction are set forth in Appendix A.

2. Staff Motion to Supplement RQSP Data

On February 18, 2010, Staff moved to supplement the hearing record with RQSP data showing an increase in informal complaint levels from January 2009 to January 2010. Staff

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[11] Frontier also testified that it would hold retail customers harmless regarding transaction costs. Tr. 1/15/10 at 246.

[12] The Applicants styled CR2 as Joint Applicants' Post-Hearing Exhibit 1- Conditions Listing.

noted that at hearing Verizon witness Ms. Buckley testified regarding a downward change in informal complaints from 2008 to 2009. Staff Motion to Supplement Record.

The Applicants responded to the Staff Motion to Supplement Record, asserting that the Commission should consider the additional information Staff tendered, and also consider data attached to their response. The Applicants cautioned against relying on informal complaint statistics from January 2010 because of severe winter weather during that period. March 1, 2010 Response to Staff Motion to Supplement Record.

On May 10, 2010, the Commission entered its order in the Quality of Service proceeding Case No. 08-0761-T-GI, and has considered all matters it deemed relevant and essential to the entry of that Order. Consequently, the Commission will deny the Staff motion as moot.

3. CAD Motion to Supplement BTOP Results

On February 2, 2010, CAD requested that the Commission supplement the hearing record in this matter with documents reflecting the results of the first round of funding under the BTOP grant program. BTOP is the broadband expansion component of spending under the American Recovery and Reinvestment Act of 2009 (Stimulus) programs. CAD Motion to Supplement and July 9, 2009 Federal Register. CAD noted that the Applicants testified that Frontier had applied for funding for broadband expansion in Verizon WV territories in the first round of BTOP funding. CAD reported that the Frontier funding request was not funded under BTOP. Thus, CAD requested that the Commission consider one exhibit describing the Frontier grant proposal and the status of that request. Id.

The Applicants conceded that Frontier did not receive a grant under the BTOP program. In response, Frontier reaffirmed its broadband deployment and capital expenditure commitments. February 12, 2010 Letter from Applicants. CAD renewed its request in a February 17, 2010 reply to the February 12, 2010 letter from the Applicants. The CWA also supported the CAD motion, citing various references to broadband Stimulus funding. February 17, 2010 CWA Letter.

The status of BTOP funding is a reasonable supplement to the representations from the Applicants regarding the expansion of broadband, but is not the central issue in this proceeding. The Applicants have advanced the extension of broadband internet availability in Verizon WV territory in support of the Transaction. The weight that the Commission has assigned to those representations is discussed above, but the Commission believes that it is reasonable to consider all the circumstances surrounding broadband in weighing this matter. Therefore, the Commission grants the CAD request to supplement the record with the exhibits attached to its February 2, 2010 request.

4. CWA Motion to Supplement Illinois Recommended Decision

On March 10, 2010, the CWA requested that the Commission take administrative notice of a recommended decision filed in the parallel transfer proceeding before the Illinois Commerce Commission. The CWA filing indicated that the ALJ assigned to that matter filed a

recommended decision rejecting the sale. By the same token, the Commission is aware that the Illinois Commerce Commission subsequently rejected that recommended decision and approved the merger subject to certain conditions.

As stated above, the Commission has added settlement documents and decisions approving the Transaction from several other jurisdictions to the hearing record in Exhibit CR2 and its supplements. Adding this document is merely an extension of that decision, and therefore the Commission grants the CWA request.

K. Waiver Request Regarding Exhibit DW-1

On December 1, 2009, the Applicants requested a waiver of the filing requirements of Rule 4.3 of the Rules of Practice and Procedure, 150 C.S.R. Series 1 (Procedural Rules), allowing the Applicants to file Exhibit DW-1 to Frontier Exhibit 3 on digital media instead of twelve paper copies. The Applicants also requested leave to serve Exhibit DW-1 on other parties in digital form. Exhibit DW-1 is a copy of Form 424B, Proxy/Prospectus filed with the SEC on September 16, 2009. Each paper copy is approximately 500 pages, thus requiring 6,000 printed pages under Procedural Rule 4.3. The Applicants asserted hardship from the paper filing rules, and requested a waiver under Procedural Rule 1.6, but noted that they would provide paper copies of the filing to any party requesting that form of service. Motion for Waiver of Filing and Service Rules.

The Commission finds the waiver request reasonable in light of the extensive size of Exhibit DW-1 to Frontier Exhibit 3. The Commission also notes that no party objected to the waiver request. The waiver request from the Applicants for Exhibit DW-1 will be granted.

L. Protective Treatment

Over the course of this proceeding, the Applicants have asserted that numerous documents in the matter are exempt from public disclosure under the provisions of West Virginia Freedom of Information Act, codified as W.Va. Code §§29B-1-1 through 7 (FOIA). These documents include (i) materials disclosed under interim protective agreements in response to discovery requests, (ii) documents under seal with the Commission including confidential versions of briefs and pre-filed testimony and (iii) testimony or exhibits introduced in closed hearings. The Commission has already ruled on the confidentiality of testimony and exhibits offered during closed sessions and reaffirms those rulings here. The remaining materials, however, are still subject to requests for protective orders filed by the Applicants.

1. Revised Protective Treatment Request

On December 1, 2009, the Applicants requested protective treatment for materials they asserted to be exempt to FOIA. Initially, those materials were not specifically identified, but merely referenced by categories of content including (i) a category for future business plans and projections, (ii) a category for market share and cost data and (iii) a category for business methods used to operate the networks. December 1, 2009 Motion for Protective Order.

CAD and the CWA criticized the December 1, 2009 Motion for Protective Order as impermissibly vague and contrary to the purpose of the FOIA statutes. CAD Response to Motion for Protective Order and Response to Motion for Protective Order from CWA. CAD and the CWA also noted that some of the material within the categories the Applicants listed was already in the public domain. Therefore, CAD and the CWA requested that the Commission reject the protective order requests. Id.

In response to the critiques from CAD and the CWA, the Applicants produced a revised version of their protective treatment request along with a listing of fifty-eight documents the Applicants asserted to be subject to their request, labeled Exhibit A. December 28, 2009 Reply to Responses from CAD and CWA. In response to direction from the Commission to comment on the revised protective treatment request and Exhibit A, CAD and CWA continued to object to a protective order for many of the items listed. See, CAD and CWA responses to December 30, 2009 Commission Order. The Applicants narrowed Exhibit A on January 8, 2010, to a revised list of forty-six items subject to their request for a protective order. January 8, 2010 Further Response from the Applicants. The Applicants also requested that portions of the agreements filed under seal in response to the March 1, 2010 Commission Order also receive protective treatment. March 3, 2010 and April 23, 2010 Letters from the Applicants.

The Commission concludes that it is not necessary to decide the permanent status of the items listed in Revised Exhibit A or filed in response to the March 1, 2010 Commission Order at present. The Commission will instead direct the Executive Secretary to segregate the documents currently filed under seal and hold those items confidentially until such future time as the Commission receives a FOIA request for any of those documents. After a FOIA request, the Commission will notify the Applicants and provide them with an opportunity to justify continued protective treatment for those documents.[13] The Commission notes that deferring a ruling on the status of these documents should not be interpreted as a ruling on protective treatment.

2. CAD Motion to Compel Filing of Documents

On October 6, 2009, CAD filed what it styled as a request for the Commission to reconsider its October 6, 2009 Order denying proposed changes to the procedural schedule established in the July 23, 2009 Commission Order. The CAD motion, however, requested the Commission to direct the Applicants to file all discovery tendered directly to parties in this matter with the Executive Secretary under Procedural Rule 13.6.c. CAD argued that the Applicants were providing materials to CAD that were not lodged with the Commission, or possibly not served on other parties to this proceeding. CAD Motion to Modify October 6, 2009 Commission Order. CWA supported the CAD request. CWA Response to CAD Motion to modify October 6, 2009 Commission Order. The Applicants objected to the CAD request, asserting that they had complied with the Commission discovery rules. October 21, 2009 Letter from Applicants.

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[13] The timeframe for parties to respond to a FOIA request will be brief because of the short statutory response time under FOIA. W.Va. Code §29B-1-3(4).

The Commission finds that under the circumstances of this case, the Applicants have complied with Procedural Rule 13.6.d in their discovery responses. A review of the discovery responses, however, shows numerous objections to the majority of discovery requests from the Intervenors by the Applicants. Apparently, the Applicants filed objections to discovery requests and subsequently provided some or all of the data requested to the Intervenors. While the Commission does not approve of this practice, to the Commissions knowledge no party has been denied access to information and no party filed a request to compel discovery under Procedural Rule 13.6.f., or otherwise requested copies of discovery materials furnished to CAD. Therefore, the Commission denies the CAD motion. In the future, a party aggrieved by this practice should file a timely motion to compel production of discovery. The Commission also reserves the right to direct alternative handling of discovery disputes if this practice arises in a future case.

M. Motions to Dismiss or Strike Testimony

In its Initial Brief, Staff moved the Commission to dismiss this matter asserting insufficiency of the Application and pre-filed testimony from the Applicants. Staff Initial Brief at 19. Similarly, CAD suggested that the Commission sanction the Applicants by dismissing this matter for (i) failing to admit all the Transaction documents into evidence, (ii) filing a substantial portion of their testimony on rebuttal or thereafter and (iii) disregarding Commission discovery rules. CAD Initial Brief at 18-53. The Commission views the CAD and Staff motions as related requests to dismiss this matter on procedural grounds for perceived failings of the Applicants to follow Commission rules. After review, the Commission denies the requests.

1. Admission of Agreements

CAD asserted that the Applicants fatally failed to move the Agreements documents into evidence during the evidentiary hearing, requiring the Commission to dismiss this matter. CAD Initial Brief at 19-26. CAD also introduced an exhibit into evidence at hearing showing that the Applicants amended their May 13, 2009 agreements on July 24, 2009. CAD Cross Ex. 6. The initial application in this matter, however, included two substantial attachments that are the May 13, 2009 merger agreement and the distribution agreement, the primary operative components of the agreements. A third component, the employee matters agreements, is attached to the direct panel testimony, Frontier Ex. 1.

On March 1, 2010, the Commission directed that the Applicants file a true copy of all amendments to the merger agreement and the distribution agreement. The Applicants complied with the March 1, 2010 Commission Order on March 3, 2010, filing all remaining components of the Transaction and noted that attachment DW-1 to Frontier Ex. 3 incorporated the July 24, 2009 amendments. See, March 3, 2010 letter. The Commission finds that attaching the operative components to their May 29, 2009 filing and filing the remaining documents on March 3, 2010, provided the Commission sufficient information to assess the Agreements. The Commission will also take administrative notice of the responses to the March 1, 2010 Commission Order submitted by the Applicants. Therefore, the Commission rejects the CAD arguments raised in its initial brief after hearing to dismiss this matter on the asserted grounds that the Applicants did not file all the Agreements documents.

2. Tariff Rule 42 Analogy

CAD properly noted in its initial brief that the Applicants bear the burden of proof to show that the Commission should grant the relief requested under W.Va. Code §24-2-12. CAD and Staff, however, misapprehend the intent of the recent Commission orders admonishing parties to comply with the rules regarding a Rule 42 financial exhibit. The Commission distinguishes this transfer petition from a tariff proceeding requiring a filing under Rule 42 of the Rules for the Construction and Filing of Tariffs (Tariff Rules), 150 C.S.R. Series 2. Unlike this case, that type of rate filing proceeds under a narrow statutory deadline for case processing varying from 120 days to 270 days. W.Va. Code §24-2-4a. In those rate cases, the utility must file a Rule 42 financial exhibit that provides the information listed in the rule in a proper set of schedules. Tariff Rule 42. When a utility materially fails to tender a properly formatted Rule 42 financial exhibit, the Commission is open to a dismissal motion that is properly filed by Staff with its initial memorandum. Hope Gas, Inc., Case No. 08-1783-G-42T (Commission Order, November 20, 2009) at 43 (Hope Rate Case), Greater Marion Public Service District, Case No. 10-0254-PSD-42T, (Commission Order, April 5, 2010) (Greater Marion).

In the Hope Rate Case, Staff requested that the Commission dismiss that rate filing based on a faulty Rule 42 financial exhibit that did not explain numerous commingled adjustments and lacked required data. Hope Rate Case at 43. In the Hope Rate Case, however, the applicant settled the dispute with Staff by agreeing to a tolling and providing additional information before the Commission dismissed the case. Id. at Hope Appendix A. In Greater Marion, the Commission dismissed a rate proceeding because the utility provided an inadequate Rule 42 financial exhibit.

Unlike those matters where the utility was required to file a specifically defined substantial financial exhibit with the initial application because of a narrow statutory window, the parties here were not under that type of obligation. Therefore, the Commission rejects the request to dismiss this matter by analogizing this matter to a rate application with a tariff filed under Tariff Rule 22.

3. Rebuttal Testimony

CAD also objects in its Initial Brief to the Applicants filing much of their testimony as rebuttal instead of with their direct testimony. CAD Initial Brief at 29. The Commission observes that Verizon filed testimony from only one additional witness in rebuttal, that of Mr. Vasington. Verizon Ex. 3. Frontier filed panel testimony from one panel that did not submit direct testimony, the Czak/Mason panel, and the testimony from David Whitehouse, the Frontier treasurer. Frontier Ex. 3, 5. While the Applicants did file more testimony in their rebuttal filings than the Frontier direct testimony, the Commission finds that difference does not rise to the levels seen in the Hope Rate Case. The Applicants are entitled to file rebuttal testimony to issues raised. Although the Applicants could have included more details in their direct testimony in this matter, the Commission refuses to characterize those filings as "notice only" testimony. The Commission also notes that the Intervenors in this matter did not file any motion objecting to the rebuttal filed by the Applicants until their initial briefs, instead of at the time of their filing. The

purpose of any motion for discovery above would be to remedy the perceived inadequacy of the filing, not as a procedural matter after the presentation of evidence.

4. Discovery Allegations

Finally, CAD argued that the Commission should sanction the Applicants for various discovery abuses including the failure to provide an unlocked financial model or certain cost analyses. A review of the case file in this matter, however, shows that neither CAD nor any other Intervenor party to this matter filed a motion to compel the production of discovery in this matter. The Commission has specifically warned all parties participating in formal cases that it does not become involved in discovery disputes unless a party files a motion seeking Commission action. Procedural Rule 13.6.f. The Commission encourages a party aggrieved by the failure of another party to produce adequate and timely discovery to seek Commission review only after attempting to resolve the discovery dispute informally. The discovery provisions contained in Procedural Rule 13.6 are intended to help parties assess the merits of an application and are not intended to provide technical barriers for substantive consideration of cases. The Commission cannot consider approximately 4,000 pages of hearing record (and related briefs) as substantively lacking because of limited access to a particular model or analysis. Therefore, the Commission rejects the requests to dismiss this matter or to strike testimony from the Applicants for the reasons asserted in the initial briefs. The Commission is making no ruling at this time that financial models or cost analyses are required to be provided in unlocked format.

The Commission, however, takes the opportunity to caution applicants in other proceedings not to read the decisions in this matter as license to ignore Commission procedural rules. Although not proper in this case, the Commission retains and will exercise the right to sanction disregard of Commission rules *sua sponte* as described in the Hope Rate Case or as properly presented on motion.

N. Motion to Waive Telephone Rule 2.8

The Applicants included a request in their petition for a waiver of Rule 2.8 of the Rules for the Government of Telephone Utilities, 150 C.S.R. Series 6 (Telephone Rules) for the transfer of VLD and VES customers to Frontier as part of the Agreements. The Applicants stated that they would provide written notice to affected customers of the transfer to Frontier and provide the opportunity for current VLD and VES customers to elect their carrier. The Applicants also noted that no customers will experience substantive changes in their calling plans of other service options because of the proposed transfer. Application at 18-19.

Under Telephone Rule 2.8, a telecommunications carrier may only execute a change in accord with the verification procedures set forth in the rule or W.Va. Code §24-2E-1. The purpose of this rule is to prevent changes of local or IXC service providers without the knowledge of a telephone subscriber. Under the circumstances of this matter, each VLD and VES subscriber will receive written notice of the transfer and an opportunity to choose a different carrier if desired. Thus, the Commission finds that purpose of the Telephone Rule 2.8 is satisfied and further precautions beyond those provided in this Order are unnecessary. Therefore, the Commission grants a temporary waiver of the verification procedures provided

by Telephone Rule 2.8 to the Applicants as permitted under Telephone Rule 1.6.

IV. FINDINGS OF FACT

1. The Applicants filed for Commission consent to the Transaction to spin off Verizon WV, along with certain West Virginia customer accounts from VLD and VES, to entities that will merge into Frontier. Joint Application.

2. Verizon WV is a subsidiary of Verizon that provides residential and commercial telephone service to approximately 600,000 lines. Id. at 6.

3. The Transaction agreements provide that the Spinco entities (including Verizon WV) will pay Verizon a Special Payment of $3.3 billion before merging into Frontier. Distribution Agreement at 2, 13.

4. After the merger, Frontier will compensate Verizon shareholders with new Frontier shares proportionate to a value of approximately $5.247 billion. Id at 31.

5. Frontier has obtained $3.2 billion in corporate bond financing for the Special Payment, including $500 million of senior notes at a annual interest rate of 7.875%, maturing in 2015; $1.1 billion of senior notes at an annual interest rate of 8.25%, maturing in 2017; $1.1 billion of senior notes at an annual interest rate of 8.5%, maturing in 2020; and $500 million of senior notes at an annual interest rate of 8.75%, maturing in 2022. April 5, 2010 Letter from Applicants.

6. Frontier filed a series of commitments at the evidentiary hearing for capital expenditure spending in West Virginia including $30 million in 2010, $75 million in 2011, $63 million in 2012 and another $63 million in 2013. CR1 Condition 2.

7. Frontier agreed to spend an additional $48 million exclusively for expansion of broadband internet access through 2014 to achieve broadband access for 85% of households in the Verizon WV service territory. CR1 Condition 3.

8. Frontier agreed to honor all existing agreements between Verizon WV and third parties including the current collective bargaining agreement with the CWA. CR1 Condition 1, Frontier Ex. 1 at 60-61.

9. Frontier filed a list of its commitments to the Commission that are contained in CR1.

10. Frontier and the CLECs tendered a settlement of issues raised by the CLECs including additional commitments by Frontier that satisfied concerns raised in CLEC testimony and parties attached to this Order as Attachment 1 to Appendix A. Joint Stipulation 1.

11. The CLECs urge the Commission to approve the Transaction as modified by their settlement. Id.

12. Verizon, Frontier and Comcast tendered a separate settlement satisfying issues Comcast raised in its testimony that is attached to and incorporated in this Order as Attachment 2 to Appendix A. Joint Stipulation 2.

13. Comcast urges the Commission to approve the Transaction as modified by the settlement. Id.

14. Frontier agreed to adopt an electronic front end gateway with E-bonding developed by Synchronoss before the cutover and provide an opportunity for all CLECs to test the wholesale ordering systems. Joint Stipulation 1; Frontier Ex. 5 at 28-30.

15. Verizon has previously transferred two telephone ILECs that subsequently experienced decreased service quality and each eventually filed for bankruptcy. DOD Ex. 1 at 4-10.

16. Frontier over recent years has consistently paid dividends in excess of its net earnings but within its free cash flow. Staff Ex. 2 at 5; Frontier Ex. 3 at 36-39.

17. Frontier dividends and share purchases have substantially reduced shareholder equity. CAD Ex. 4 at 21.

18. After the proposed merger, shareholder equity will be substantially increased in the merged entity. Frontier Ex. 3 at 16-17.

19. Frontier projects that the merged entity is financially viable with or without savings from synergies. Frontier Ex. 3 at 57.

20. The Transaction will combine Citizens and Verizon WV territory in West Virginia into a nearly seamless whole. Frontier Ex. 6 at Ex. BJG-1.

21. Frontier serves approximately 2.3 million telephone customers throughout the United States, including substantial operations in Pennsylvania and Rochester, New York. Joint Application at 11, 16.

22. Frontier serves many rural telephone territories and has relatively more rural areas than Verizon WV. Frontier Ex. 1 at 10, 20.

23. Frontier currently holds ILECs that provide service to approximately 144,000 West Virginia customers. Joint Application at 12.

24. Frontier will attempt to stem line losses in Verizon WV service areas with a business plan that couples expanded broadband internet access with a flat management structure and aggressive product marketing. Tr. 1/13/10 at 113-115, 131-133; Frontier Ex. 3 at 9; Frontier Ex. 2 generally.

25. The cutover from Verizon to Frontier involves a complex series of data transfers from numerous Verizon computer systems to analogous Frontier systems. CWA Ex. 4 at 28-29.

26. Frontier and Verizon both have experience performing cutovers from one telecommunications provider to another. Frontier Ex. 1 at 54-55; Tr. 1/15/10 at 42-43.

27. Verizon WV is currently able to provide broadband internet access to approximately 60% of the households in its service territories. App. Initial Brief at 32.

28. Frontier is currently able to provide broadband internet access to approximately 90% of the households in its service territories. CWA Ex. 4 at 74.

29. Increased investment in broadband internet access is a net benefit to the citizens and the State from the Transaction. CR1 Condition 3, 4.

30. The Commission entered an Order on May 10, 2010, in Case No. 08-0761-T-GI that addressed the ongoing quality of service issues and problems experienced by Verizon WV customers.

31. Verizon plans to realign selective routers in northern West Virginia into a three parallel router design. Verizon Ex. 1 at Vz-1.

32. The State E-911 Council approved plans for transferring operation of West Virginia E-911 service from Verizon to Frontier. Tr. 1/15/10 at 244.

33. Frontier will assume all applicable Verizon WV, VLD and VES tariffs and pricing at closing of the Transaction. CR1 Condition 10.

34. Frontier agreed to cap all regulated rates for one year from closing. CR1 Conditions 10, 11.

35. Frontier should report its progress on integrating its business and network operations after closing. CAD Ex. 1 at 133, 139, 150-51.

36. Frontier will disclose the cost of its "free computer" program to prospective customers in Verizon WV territory. CR1 Condition 8.

37. Frontier has a policy establishing download caps. CAD Ex. 1 at 146-7.

38. After the merger, Frontier will be the ILEC in the vast majority of West Virginia.

39. Frontier will honor all current labor agreements and locate its Southeast regional headquarters in Charleston, West Virginia. CR1 Conditions 18.

40. NOLD applied for a Certificate to provide facilities based and resold IXC services in West Virginia. Application, Case No. 09-1600-T-CN.

41. NOLD will rely on the telecommunications infrastructure and financial backing of its parent corporations, Verizon or Frontier respectively. Id.

42. Frontier did not obtain first round BTOP Stimulus Funding. CAD Motion to Supplement.

43. The Commission takes administrative notice of a recommended decision and subsequent Final Order in the parallel proceeding to this matter before the Illinois Commerce Commission. CWA Motion to Supplement; CR2.

44. The Applicants requested that the Commission grant permanent protective treatment for a series of documents listed in Revised Exhibit A dated January 8, 2010, along with documents filed in response to the March 1, 2010 Commission Order. Revised Motion for Protective Order; January 8, 2010 letter; March 3, 2010 letter; April 23, 2010 letter.

45. The Applicants requested that the Commission waive Telephone Rule 2.8 for the purposes of the Transaction. Joint Application at 19.

V. CONCLUSIONS OF LAW

1. A transaction for the transfer of control of a public utility and the sale of its utility property in this State must have prior Commission consent and approval. The Commission may grant consent on a proper showing that (i) the terms and conditions of the Transaction are reasonable, (ii) neither party to the Transaction is given an undue advantage over the other and (iii) the Transaction does not adversely affect the public in this state. W.Va. Code §24-2-12.

2. The Commission may attach conditions as it deems proper to a request for consent and approval under W.Va Code §24-2-12.

3. The Commission must also find that Frontier has the knowledge, experience and resources to operate Verizon WV. The Commission concludes that Frontier has made that showing subject to the conditions contained in Appendix A to this Order. Hope One.

4. The three-part test in W.Va. Code §24-2-12 contemplates an evaluation of the Transaction as structured and has a "forward looking" element requiring that the Commission evaluate how the new utility will function after the merger is complete. Hope Two at 9-10.

5. The Commission may also consider conditions offered by Applicants in the proceeding in its consideration of the impact of a proposal on the public of this State. Id. at 10-11.

6. The Commission may consider additional conditions under W.Va. Code §24-2-12 proposed by the parties or the Commission itself as it deems proper to assure that the Transaction does not adversely affect the public in this State. Hope Two at 15.

7. The Transaction, as initially presented to the Commission in the Joint Application, would adversely impact the public because it does not contain adequate safeguards to protect against potential financial and technical risks discussed herein.

8. The Frontier telecommunications business model along with the conditions and required commitments listed in this Order do not adversely affect the public in this State.

9. Dividend payments consistently and considerably in excess of net earnings over a substantial period of time may materially and adversely reduce shareholder equity.

10. A condition limiting dividend payments by any Frontier entity conducting business in West Virginia to the parent corporation to 100% of net earnings for a period of four years unless otherwise permitted by the Commission is a reasonable condition.

11. The financing for the Special Payment described in the April 5, 2010 filing from the Applicants is reasonable.

12. Revenue projections presented by the parties are useful to the Commission for analysis of the Transaction, but are not an exact science. Hope Rate Case at 11.

13. The settlement presented by Frontier and the CLECs is a reasonable compromise of concerns raised by the CLECs and should be adopted.

14. The settlement presented by Verizon, Frontier and Comcast and incorporated into Appendix A to this Order as Attachment 2 is a reasonable compromise of concerns raised by Comcast and should be adopted.

15. A third party audit of the cutover is unnecessary because Frontier and Verizon have substantial experience with cutovers and wholesale customers participating in this matter are satisfied with the additional protections contained in their settlements.

16. The Commission does not regulate broadband services but does consider the increased availability of access to broadband as a benefit to the public in this State which the Commission can consider in evaluating the proposed Transaction.

17. Further hearing in this matter regarding future broadband standards of Frontier is unnecessary.

18. The Frontier broadband access expansion target of 85% of households in Verizon WV territory in four years is reasonable and is a net benefit to the citizens and the State.

19. The E-911 transfer plan proposed by the Applicants is reasonable.

20. Recommendations to condition consent for the Transaction on price caps beyond the one-year proposal by Frontier are unnecessary and may be harmful to the public and Frontier in this Transaction.

21. The complexity and magnitude of the Transaction justify requiring quarterly reports to the Commission on the financial health of Frontier after the merger as well as reports on the integration of Frontier with Verizon WV for the first year after closing and annual reports for the following three years.

22. It is reasonable to require plain-English disclosure of the cost of Frontier promotional programs.

23. Termination fees that are not prominently disclosed or do not reflect the actual cost incurred by early contract termination may be an unreasonable utility practice.

24. Termination fees and terms and conditions of customer contracts should include a plain-English description of such fees, terms and conditions in the body of the offer.

25. It is reasonable to require written notice of the merger to existing Verizon WV, VLD and VES customers along with a temporary opportunity for transferred customers to change existing service bundles without termination fees.

26. It is reasonable as a condition to the Transaction to require Frontier to eliminate download caps on its internet service unless otherwise provided by the Commission.

27. The Commission should designate Frontier the carrier of last resort in West Virginia after the merger because of its dominant ILEC holdings.

28. It is reasonable to require Frontier to provide written notice and justification to the Commission at least thirty days in advance of any workforce reduction exceeding 5% of the then existing West Virginia workforce.

29. Conditions and commitments required by this Order guard against any adverse impacts of the Transaction on the public in this State.

30. On the condition that the Transaction is consummated and approved by the Commission, it is reasonable to grant NOLD a Certificate to provide facilities based and resold interexchange carrier service because the Applicants have the technical, financial and managerial ability to provide those services in West Virginia.

31. The DOD request to reject CR2 because of initial omissions to listed terms and conditions from other jurisdictions is unreasonable because the Applicants supplemented their initial filing.

32. The waiver request for electronic filing of Exhibit DW-1 to Frontier Ex. 3 is reasonable considering the size of Exhibit DW-1.

33. It is reasonable to defer consideration of the pending protective treatment requests until the Commission receives a FOIA request for that information.

34. Motions raised in briefs from CAD and Staff to dismiss this matter or strike substantial portions of testimony filed by the Applicants are unreasonable and untimely.

35. It is reasonable for the Commission to admit the portions of the Transaction documents filed in response to the March 1, 2010 Commission Order into the hearing record.

36. It is reasonable to waive Telephone Rule 2.8 to allow a transfer of customers from VLD and VES to Frontier without further verification.

VI. ORDER

IT IS THEREFORE ORDERED that the Commission hereby grants its consent and approval to the Joint Application and authorizes the Applicants to transfer control of Verizon WV and certain customer accounts from VLD and VES to an entity controlled by Frontier, subject to compliance with the conditions and required commitments listed in Appendix A to this Order that are incorporated herein by reference.

IT IS FURTHER ORDERED that the Commission consents to the financing package procured for payment of approximately $3.333 billion by Spinco to Verizon as described in the April 5, 2010 filings.

IT IS FURTHER ORDERED that the Staff Motion to Dismiss this matter is denied.

IT IS FURTHER ORDERED that the CAD Motion to Strike portions of the evidentiary record is denied.

IT IS FURTHER ORDERED that the CAD Motion to Compel Filing of Documents is denied.

IT IS FURTHER ORDERED that the CWA request for further hearing is denied.

IT IS FURTHER ORDERED that the Commission takes administrative notice of the responses to the March 1, 2010 Commission Order, including the March 26, 2010 Form 8-K filed by Frontier with the SEC and attached to the April 5, 2010 letter filed by the Applicants.

IT IS FURTHER ORDERED that Frontier shall assume all tariffs currently on file for Verizon WV and shall within ten days of adopting a new assumed name file an original and five copies of new tariffs identical to the current Verizon WV tariffs, except for the new name.

IT IS FURTHER ORDERED that consideration of the documents listed in the Revised Exhibit A dated January 8, 2010, listing items the Applicants assert are exempt from FOIA or filed in response to the March 1, 2010 Commission Order under seal are deferred until the filing of a FOIA request. The Executive Secretary shall maintain the protected documents under seal, separate and apart from the rest of the file.

IT IS FURTHER ORDERED that the request to waive Telephone Rule 2.8 for the Transaction approved by this Order is granted.

IT IS FURTHER ORDERED that, conditioned on consummation of the Transaction as approved, the Commission grants a Certificate to NOLD, to provide facilities based and resold IXC telecommunications services throughout West Virginia.

IT IS FURTHER ORDERED that NOLD shall file an original and five copies of a tariff identical to all applicable current VLD and VES tariffs except for the carrier name before NOLD provides service in West Virginia.

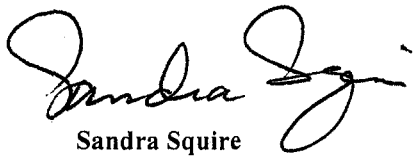
IT IS FURTHER ORDERED that on closing Frontier is designated as the carrier of last resort in its Citizens service area and in the current Verizon WV area.

IT IS FURTHER ORDERED that Frontier shall advise the Commission by letter of the closing within ten days thereof.

IT IS FURTHER ORDERED that these matters are removed from the Commission docket of active cases.

IT IS FURTHER ORDERED that the Commission Executive Secretary serve a copy of this Order by electronic service on all parties requesting that service, on all other parties of record by United States First Class Mail and on Staff by hand delivery.

A True Copy, Teste:



Sandra Squire
Executive Secretary

Commissioner Staats dissents, would deny the Transaction and reserves the right to file a dissenting opinion.

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APPENDIX A

CONDITIONS AND COMMITMENTS IMPOSED ON CONSUMMATION OF THE TRANSACTION

1. Frontier shall honor all existing obligations of Verizon WV following closing of the Transaction, including complying with all applicable Commission Orders.

2. Frontier shall make capital investments in Verizon WV of $30 million during the 2nd half of 2010, $75 million in 2011 (including $12 million targeted to service quality), $63 million in 2012, $63 million in 2013.

3. Frontier shall make an additional capital investment of at least $48 million beyond the investments set forth in condition 2 above to increase broadband deployment and subscription in the Verizon WV service area. Any federal stimulus funding that Frontier obtains for broadband services in Verizon WV service areas shall not be used to meet or offset this capital investment requirement.

4. Frontier shall expand broadband availability in Verizon WV service areas. Frontier shall develop and implement a West Virginia Broadband Program for the deployment of broadband facilities such that by no later than end of the fourth year following closing, access to broadband service shall be available to no less than 85% of the households within the Verizon WV service areas.

5. Frontier will promptly locate its Southeast regional headquarters in Charleston, West Virginia, after closing of the Transaction. The headquarters will be the hub for engineering, technical, operational and executive personnel for Frontier's operations in West Virginia, Tennessee, North Carolina, South Carolina, Mississippi, Alabama, Georgia and Florida.

6. Verizon WV will comply with all requirements of the currently effective RQSP or other conditions imposed by the Commission in Case No. 08-0761-T-GI, including any modifications or commitments to the RQSP approved or required by the Commission, and continuing through at least July 1, 2011, or for such period the RQSP remains in effect.

7. Verizon shall comply with the escrow account requirement contained in the May 10, 2010 Commission Order in Case No. 08-0761-T-GI, before closing of the Transaction. These funds shall complete the obligations of Verizon under the retail service quality case.

8. Frontier shall adopt all of Verizon WV tariffs, price lists and contracts under the same terms and conditions at closing.

9. Frontier shall cap all regulated rates subject to jurisdiction of this Commission for one year after closing the Transaction.

10. Frontier shall prominently disclose all termination fees and their terms and conditions in plain-English in the body of its offer. Those fees shall not be punitive or reflect more than the actual cost incurred by early contract termination.

11. Frontier shall provide the same E-911 functionality as currently provided by Verizon WV after closing the Transaction.

12. Frontier will make no attempt to allocate push down, or assign to its West Virginia subsidiaries any purchase price, goodwill, early termination payment, change in control payment, incentive or retention bonus payment in connection with the Transaction, either directly, indirectly through another affiliate, or by other means.

13. Frontier will not attempt to pass through to or recover from West Virginia customers or have West Virginia customers fund any portion of the acquisition premium or purchase price for Verizon WV stock or any costs associated with the Transaction, including but not limited to financial, legal, severance payments, regulatory fees or investment services.

14. Frontier shall make full disclosure to future West Virginia customers of the comparative costs of participating in promotional plans including any offer of a "free computer."

15. Frontier shall agree to forego any download caps or similar mechanism to limit residential download amounts, but may limit abusive practices.

16. Frontier shall waive early termination fees for current Verizon West Virginia customers participating in a Verizon bundled service package for the first ninety days after closing. The Applicants shall provide a clear plain-English notice of the fee waiver in their merger notices to customers.

17. Frontier shall assume or honor all obligations under current Verizon WV interconnection agreements, wholesale tariffs, and other existing wholesale arrangements in addition to complying with the statutory obligations applicable to all ILECs.

18. Frontier shall continue to comply with its obligations under the C2C Guidelines and the PAP.

19. Frontier shall abide by commitments made in settlements with the CLECs and Comcast.

20. Frontier shall honor all existing union labor agreements in West Virginia.

21. Frontier pension plans shall assume pension liability associated with active Verizon employees transferred to Frontier at the time of closing. Pension assets of an equal value at closing will be transferred to the Frontier pension plan by Verizon.

22. Frontier shall utilize its Local General Manager (GM) model placing Area General Managers in Morgantown, Wheeling, Huntington, Parkersburg, Charleston (2 GMs), and in the South and the Eastern part of West Virginia.

23. No Frontier entity subject to the jurisdiction of this Commission, including the entities that are now Verizon WV, NOLD nor Citizens, shall for a period of four years pay dividends to Frontier in excess of 100% of the net earnings of that entity. Frontier may petition for relief from this condition for good cause shown.

24. Frontier shall file quarterly reports under this case number through December 31, 2011, and annual reports for the following three years detailing its progress toward integration of Verizon WV with its current operations. Frontier shall provide copies to any party requesting a copy. The first report shall be due on or before November 1, 2010, and include the following:

A. A detailed showing of the current financial status of Frontier at the corporate level and for each operating subsidiary conducting business in West Virginia including the current Verizon WV, NOLD and Citizens.

B. A description of progress made in deployment of broadband in current Verizon WV territory including a breakdown of the expansion by wire center and an estimate of added broadband coverage.

C. A description of progress achieved in integration of business, repair office and billing system operations. The first quarterly report shall also discuss integration of E-911 services.

D. A description of changes to network operations and associated staffing, maintenance and investment other than broadband investment.

25. Frontier will report to the Commission within 30 days any downgrading of the outlook for or any actual downgrading of the debt of Frontier, or any subsidiary of Frontier. The report to the Commission will include a full copy of the report issued by the rating agency.

26. Frontier will adequately fund additions and maintenance of the facilities of Verizon WV in order to assure the provision of reliable, economic and adequate service throughout the State.

27. Frontier shall file simultaneously with its next rate application, a statement(s) quantifying all synergy savings attributable to the current Verizon WV, realized after the Transaction closing date.

28. After closing of the Transaction, Frontier shall provide written notice and justification to the Commission at least 30 days prior to any planned workforce reduction greater than 5% of the then existing West Virginia workforce.

29. The Commission adopts and incorporates the settlement attached hereto as Attachment 1 between Frontier and the CLECs into these conditions by this reference.

30. The Commission adopts and incorporates the settlement attached hereto as Attachment 2 between Verizon, Frontier and Comcast into these conditions by this reference.

ATTACHMENT 1

EXHIBIT
1
Stipulation
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WVA PUBLIC SERVICE COMMISSION
SECRETARY'S OFFICE

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
Charleston

CASE NO. 09-0871-T-PC

Joint Application of Frontier Communications Corporation and Verizon West Virginia Inc. and certain affiliates for approval of the transfer of Verizon's local exchange and long distance business in West Virginia to companies to be owned and controlled by Frontier Communications Corporation.

JOINT STIPULATION AND AGREEMENT FOR SETTLEMENT

Pursuant to Rule 13.4 of the Commission's *Rules of Practice and Procedure*, Frontier Communications Corporation ("Frontier") and FiberNet, LLC, Citynet West Virginia, LLC and NTELOS of West Virginia Inc. (collectively the "CLECs") and USCOC of Cumberland, Inc. and Hardy Cellular Telephone Company (collectively "U.S. Cellular" and both of which are CMRS providers) enter into this Joint Stipulation and Agreement for Settlement of CLEC Issues ("Joint Stipulation"). (Frontier and the CLECs collectively are herein the "Parties" and individually, a "Party"). The Parties hereby stipulate and agree as follows:

WHEREAS, CLECs and U.S. Cellular have intervened and participated as parties in the proceeding before the Public Service Commission of West Virginia related to Frontier's and Verizon West Virginia Inc.'s ("Verizon WV") joint application for approval of the proposed transaction wherein CLECs have filed testimony and both the CLECs and U.S. Cellular have expressed certain concerns with the proposed transaction; and

WHEREAS, the Parties hereto have reached a mutually agreeable settlement of the CLECs' and U.S. Cellular's concerns;

In consideration of the mutual representations and covenants contained herein, the Parties hereby agree as follows:

AGREEMENT

1. Frontier WV will spend sufficient funds in West Virginia to meet and maintain the retail service metrics contained in the Verizon Performance Improvement Plan and the wholesale metrics set forth herein below. The amount of such funds shall be the greater of $12 million by the end of 2011 or the amount ordered by the Commission to be expended for such purposes or the amount agreed to by Frontier/Verizon to be expended for such purposes. The funds shall be used specifically for the improvement in service quality of the basic telephone network in West Virginia. In evaluating where to expend funds associated with improving basic service quality, Frontier shall consider data associated with Code 4 rates (*i.e.*, % of trouble attributed to OSP cable) and/or the input of CLECs and other interested parties. This capital investment commitment will be in addition to any funds committed by Frontier for broadband investment. In addition, any federal stimulus funding that Frontier WV receives for broadband services will not be used to meet this capital investment commitment.

2. Frontier WV will honor, assume or take assignment of all obligations under Verizon WV's current interconnection agreements and intrastate and interstate special access tariffs, commercial agreements in effect at Closing and shall not increase the rates or change the terms contained in the interconnection agreements, the Verizon WV intrastate and interstate special access tariff or the interconnection agreements or rates for reciprocal compensation, tandem transit services TELRIC 252(c)(2) and (d) services and for 251(c) facilities or arrangements for a period of at least thirty-six months from the Closing, unless a different time period or other provision is required by change of a federal or state law after the date hereof. In addition, during this period, Frontier WV will not create any new rate elements or charges for distinct facilities or functionalities that are provided under existing rates at Closing, including without limitation, toll connecting trunk intrastate dedicated tandem trunk ports charges.

3. Frontier WV will allow CLECs and CMRS providers to extend existing interconnection agreements at Closing, whether or not the initial or current term thereof has expired, until at least thirty-six months from Closing. If any carrier makes a written request for reopening or renegotiation of an existing agreement prior to the expiration of such period of time, this commitment will not apply to that carrier. Absent such request, Frontier WV will not trigger the 180 day negotiation clock prior to at least thirty-six months of the Closing. Frontier will allow CLECs and CMRS providers to use their existing Verizon agreement as the starting basis for negotiations of new replacement agreements.

4. Frontier WV will continue to comply with the Verizon WV's obligations under the C2C Guidelines and PAP in place at Closing. Following the Closing, Frontier shall continue to provide the monthly reports of wholesale performance metrics (CLEC PAP) that Verizon currently provides and provide access to these metrics to Commission Staff and CAD. Frontier WV will agree not to seek a reduction in the amount of monies that are at risk under

the PAP for a minimum of 18 months. The metrics in the C2C Guidelines and PAP shall be based on the metrics included in the NY PSC's ongoing review of the Verizon C2C Guidelines and PAP. Frontier WV agrees to establish a working group to meet with and consult with CLECs and other interested parties on a quarterly basis regarding C2C and PAP performance and credit issues and to explore and work collaboratively to identify improved and more meaningful performance metrics.

5. No Verizon WV wholesale service offered to CLECs at the time of Closing provided pursuant to interconnection agreements or commercial agreements in effect in West Virginia at Closing will be discontinued for three years after Closing of the transaction.

6. In the Citizens Telecommunications Company of WV Bluefield (Princeton, Bluefield, Bluewell, Welch, Athens, Matoaka, Northfork, Gary, Oakvale, Bramwell, Anawalt, Davy, Kimball, Coalwood, and Maybeury) and Charles Town exchanges (CharlesTown, Harpers Ferry, and Shepherdstown), Frontier will agree to reduce UNE two-wire loop rates to $22.04/month and DS1 capable loop $126.78. CLECs may submit a bona fide request to Citizens Telecommunications of WV to request UNE pricing for additional wire centers. This commitment does not remove Citizens Telecommunications of WV status as a rural carrier under Section 251(f) of the Act.

7. Frontier WV will hold CLEC forums each month throughout 2010 to discuss the transition to Frontier's systems and following Closing to discuss any network service quality issues and the use of capital committed to POTS, including copper, service quality network upgrades. For 12 months after Closing, Frontier will provide monthly updates on the status of service quality network upgrades.

8. Frontier WV will comply with statutory obligations applicable to all incumbent local exchange carriers (ILECs) under 47 U.S.C. Section 251 and 252. Frontier WV will not seek to avoid any of its obligations under any assumed agreements on the grounds that Frontier WV is not an incumbent local exchange carrier under the Federal Communications Act of 1934, as amended, 47 U.S.C. § 151, *et seq*, (the "Communications Act"), nor on the grounds that it is exempt from any of the obligations hereunder pursuant to Section 251(f)(1) or Section (f)(2) of the Communications Act. In addition, Frontier WV will comply with statutory obligations under Section 271 of the Act. Frontier agrees that it will not seek to move or reclassify any exchanges or wire centers currently located in Verizon West Virginia's legacy service area so as to be included in the Citizens Telecom service area in order to take advantage of the rural exemption provided under Section 251(f) of the Telecom Act.

9. Frontier WV shall provide and maintain on a going-forward basis updated escalation procedures, contact lists and account manager information at least 30 days prior to the transaction Closing date including without limitation, the contact information for the local managers in West Virginia and the General Manager for the State of West Virginia. The updated contact list shall identify and assign a single point of contact assigned to the State of West Virginia for each CLEC with the authority to address ordering, maintenance and repairs, provisioning, billing and OSS systems maintenance issues of that CLEC. Frontier

WV will designate a person as a point of contact located in WV for escalation of CLEC and wholesale issues.

10. Frontier will implement OSS, including e-bonding and the Synchronoss Front End system, at a level that is functionally comparable to what Verizon is providing prior to closing of the subject transaction. Frontier WV will provide the tools and opportunity for the CLECs to complete testing of the wholesale OSS and Synchronoss Front End system that will be utilized by Frontier WV after Closing. Before the cut over to the said Frontier systems, Frontier WV shall establish a testing environment ("TE") on the Frontier systems to test wholesale orders. Frontier WV shall provide a minimum test period of 20 business days prior to the Closing Date for CLECs to test in the TE and this test period will conclude at least 20 business days prior to the Closing Date. The Parties currently expect the TE to be available in April 2010 and Frontier will communicate the specific date the TE will be available to CLECs as soon as it is known. CLECs may submit test ASR orders and test LSR orders. Frontier will work with CLECs to identify specific test scenarios. The TE will be populated with a wide range of accounts, and Frontier will consult with CLECs to identify the accounts that will be included in the TE. Frontier shall have sufficient data in the TE as to allow CLECs to run all the aforementioned test scenarios against such converted data. CLECs may test LSR and ASR orders up to and including the service order processor, with full cycle scenarios covering pre-order, order submission, reject, jeopardy notices, order flow through and order completion notices (billing completion and provisioning completion). In the event of a dispute between the CLECs and Frontier WV (which cannot be promptly resolved through discussions and additional testing) with respect to the outcome of the test scenarios, an independent third party (which independent party may be agreed to by the parties in advance) will be consulted and provided the necessary information by the parties to resolve the dispute. The costs related to the retention and utilization of said independent third party shall be paid by Frontier WV. Frontier WV will not cut over to the Frontier Systems until it has validated that wholesale OSS and the Synchronoss Front End system are functioning and operational. Frontier will make available an OSS Help Desk or other appropriate group that will be equipped to handle and expeditiously respond to any OSS issues, problems or concerns that occur post-cutover. Frontier shall provide, at a time convenient for both Parties no later than 30 days prior to the Frontier Systems cut over and at no cost to CLECs, a "train the trainer" training session sufficient to educate CLECs on how to process LSR and ASR orders (including pre-ordering, ordering, maintenance and provisioning functions).

11. Frontier WV will continue to make available to each wholesale carrier the types of information that Verizon currently makes available concerning wholesale operations support systems and wholesale business practices via the CLEC Manual, industry letters, and the change management process. In addition, Frontier WV will continue the CLEC User Forum process following Closing. Frontier WV will provide the wholesale carriers training and education on the wholesale operations support systems implemented by Frontier WV after Closing without charge to the wholesale carrier.

12. Frontier WV will maintain a Change Management Process ("CMP") similar to Verizon's current process, including CMP meetings the frequency of which for the first twelve months from Closing Date shall be monthly, and thereafter, agreed upon by the parties.

13. Frontier WV will address and resolve any backlog in pole attachment requests within 180 days of Closing, including, without limitation, working with CLECs to prioritize pending requests. Frontier WV will work with the CLEC to develop process within 90 days of Closing to meet the contracted intervals on new requests.

14. Frontier WV will work with the CLECs to develop processes within 180 days of Closing to allow for collocation at remote terminals, where it is technically feasible. Such processes to include making readily available to requesting carriers a current list of remote terminals, including the physical address and CLLI Code of the remote terminals, and the geographic areas served by each remote terminal. Further, Frontier agrees to complete provisioning of a requested physical collocation arrangement, including any collocations in remote terminals, in compliance with the applicable FCC's rules.

15. For two years following the Closing Date, Frontier WV will not seek to reclassify as "non-impaired" any Verizon WV wire centers for purposes of Section 251 of the Communications Act, nor will Frontier WV file any new petition under Section 10 of the Communications Act seeking forbearance from any Section 251 or dominant carrier regulation in any Verizon WV wire center.

16. Frontier WV will not seek to recover through wholesale service rates one-time transfer, branding or transaction costs and will hold wholesale customers harmless for increases in overall management costs that result from the transaction.

17. Frontier WV shall ensure that the Wholesale and CLEC order support centers are sufficiently staffed by adequately trained personnel dedicated exclusively to wholesale operations so as to provide a level of service that is at a minimum comparable to that which was provided by Verizon prior to the transaction and to ensure the protection of CLEC information from being used for Frontier's retail operations. This would include, but not be limited to, compliance with all ordering, provisioning, repair and maintenance, and billing intervals currently being provided by Verizon.

18. Each of the above conditions will go into effect upon the Closing of the proposed transaction and will continue for a period of three years following closing unless otherwise specifically identified.

19. To the extent that Frontier WV retires copper cable as part of the service quality improvement work or the broadband deployment work and those facilities are not replaced with new copper cable facilities, Frontier WV shall work cooperatively with CLECs to make available on an as is basis remaining available copper facilities for use by CLECs or, in the alternative, CLECs shall be provided with access to, and use of, the fiber replacement cable at wholesale rates as if the copper had not been replaced.

20. Frontier shall reimburse CLECs currently providing service in West Virginia for reasonable and verifiable expenses (not to exceed $15k per CLEC) incurred with SS7 providers (e.g. Verisign) in order to rehome exchanges or reconfigure the CLECs' networks as the result of changes to SS7 signaling associated with this transaction.

21. Frontier WV shall not be permitted to reject a DS1 UNE loop order on the basis that no facilities are available where any Frontier facilities assignment database shows and Frontier WV is able to confirm that the loop in question is available to be provisioned by Frontier to a Frontier retail customer. For any DS1 UNE loop order rejected on the basis that no facilities are available, Frontier WV shall provide the requesting carrier with the status of the loop in question in any Frontier WV facilities assignment database.

22. Frontier shall extend the use of the Synchronoss front-end system to its Citizens WV service area within 180 day after the closing of the proposed transaction.

23. Frontier WV will coordinate with Verizon and ensure creation and maintenance of an archive of all wholesale customer records of Verizon-WV as provided to Frontier in the final cutover data extract that will be maintained for 24 months following closing.

24. Frontier has also engaged in settlement discussions with Comcast and other providers in West Virginia regarding resolution of their concerns in the pending proceeding before the Commission and which may subsequently result in the execution of a settlement agreement to be filed with the West Virginia Public Service Commission. Frontier agrees to make the same settlement terms and conditions included in any such settlement agreement available to CLECs in West Virginia.

Legal Terms

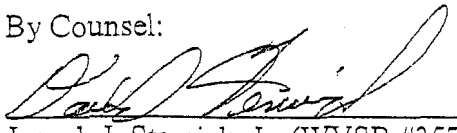
25. The Parties acknowledge that this Joint Stipulation represents a negotiated and binding compromise of opposing views on numerous issues and that the particular compromises here apply only to the unique circumstances of this proceeding and the operations in the current Verizon WV service area in West Virginia. No Party binds itself in any way with respect to the position that Party may take regarding the same or similar issues in other contexts, except for a proceeding to enforce the terms and conditions of this Joint Stipulation.

26. Each provision of the Joint Stipulation is an integral part of the whole. If this Joint Stipulation is not accepted in full by the Commission, each Party reserves the right to oppose any part of this Joint Stipulation, including any part which the Commission has accepted without modification. Frontier agrees to stipulate to the admission of the CLECs' respective prepared testimony, but that testimony shall not be considered part of the record if the Commission accepts this Stipulation in full. The Parties waive cross examination of one another and Verizon WV at any hearing held in this docket. Frontier and Verizon agree to release all CLEC witnesses from attendance at the hearing. The Parties agree to support approval of this Stipulation throughout this proceeding.

27. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

FRONTIER COMMUNICATIONS CORPORATION

By Counsel:



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FIBERNET, LLC

By Counsel:

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CITYNET WEST VIRGINIA, LLC

By Counsel:

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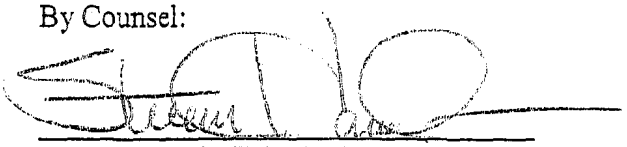
By Counsel:



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By Counsel:

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USCOC OF CUMBERLAND, INC. and
HARDY CELLULAR TELEPHONE COMPANY

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ATTACHMENT 2

PENGAD 800-631-6989
EXHIBIT
2
Stipulation

SETTLEMENT AGREEMENT

This Settlement Agreement is made as of the 8th day of January 2010 ("Effective Date") by and among Comcast Phone, LLC, on behalf of Comcast Phone of West Virginia, LLC ("Comcast"), Frontier Communications Corporation and Verizon West Virginia, Inc. that will become a Frontier subsidiary after the closing of the Proposed Transaction ("Frontier") and Verizon Communications, Inc. on behalf of Verizon West Virginia, Inc. ("Verizon") (individually a "Party" and collectively, "the Parties");

WHEREAS, Verizon has agreed to a transaction in which control of certain of its operating affiliate Verizon West Virginia, Inc. will be transferred to Frontier (the "Proposed Transaction"); and

WHEREAS, the Proposed Transaction will require, among other things, the approval of various state regulatory commissions ("State Commissions") before it can be consummated; and

WHEREAS Comcast has intervened and participated as a party in the proceeding before the Public Service Commission of West Virginia related to Verizon's and Frontier's joint application for approval of the Proposed Transaction wherein Comcast has expressed certain concerns with the Proposed Transaction (the "State Proceeding"); and

WHEREAS, the Parties hereto have reached a mutually agreeable settlement of Comcast's concerns.

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WV PUBLIC SERVICE COMMISSION
[illegible]'S OFFICE

In consideration of the mutual representations and covenants contained herein, the Parties hereby agree as follows:

TERMS

I. OSS

1. Replacement and Testing of Systems

The Proposed Transaction contemplates that Frontier will migrate customers served by the Verizon operations support systems ("OSS") inWest Virginia on to Frontier's OSS that Frontier currently utilizes to serve customers in its legacy Frontier territory in West Virginia. Frontier will also be implementing a Synchronoss Technologies, Inc. ("Synchronoss") front end gateway and implementing a number of upgrades to other components of the Frontier OSS (hereinafter the Frontier OSS with the upgraded Synchronoss gateway will be referred to as "Frontier Systems"). As part of this process, Frontier will convert any and all necessary data relating to West Virginia from Verizon's existing OSS to the Frontier Systems ("Converted Data"). This section governs the Converted Data, implementation of the Frontier Systems, and Comcast's order testing of the Frontier Systems after Frontier has done its own initial testing.

a. Frontier shall implement electronically bonded ("e-bonded") Frontier Systems that maintain the same quality of service and generally the same level of flow through capability for LNP and DL orders as the current Verizon OSS for Access Service Requests ("ASRs") associated with ordering interconnection facility trunks, and for Local Service Requests ("LSRs") associated with local number portability ("LNP") and directory listing ("DL") orders. The e-bonded Frontier Systems will include associated pre-ordering, ordering, maintenance and provisioning functionality.

b. Frontier shall develop the e-bonded Frontier Systems adhering to the business rules and technical specifications set forth in the Access Service Ordering Guidelines Industry Support Interface version 40 and Verizon West Virginia Release 9.17 which is based on Local Service Ordering Guidelines version 9.

c. No later than February 1, 2010, Frontier shall make available to Comcast, in writing, any deviation from the business rules and technical specifications identified in (I)(1)(b) above. Within five (5) business days of receipt of such deviations, Comcast shall provide written notice to Frontier of any concerns it has with Frontier's stated list of deviations. The parties will work cooperatively to resolve any differences. If the parties are unable to resolve their differences within one week of Comcast's notice to Frontier, both Parties will appoint a representative at the Vice President level or higher to pursue further dispute resolution discussions.

d. E-bonding shall be implemented for the Frontier Systems in the current Verizon West Virginia service territory prior to the Close Date. Frontier will implement e-bonding for the OSS used to serve its legacy service territory no later than six (6) months after the Close Date.

e. Prior to making the Frontier Systems available to Comcast for testing as set forth in (f) below, Frontier shall have performed full and successful internal testing of the e-bonded Frontier Systems. Such testing shall include regression testing, functional testing, integration testing, performance testing and user acceptance testing.

f. Before the cut over to the Frontier Systems, Frontier shall establish and Comcast may use a testing environment ("TE") on the Frontier Systems to test certain wholesale orders. The TE must mirror the front-end and back-end production environment in configuration and capabilities. Frontier shall provide a minimum test period of 20 business days prior to the Close Date for Comcast to test in the TE. The Parties currently expect the TE to be available in April 2010 and Frontier will communicate the specific date the TE will be available to Comcast as soon as it is known, but no case less than 30 days prior to the TE being available.

g. Comcast may submit test ASR orders for interconnection trunking and test LSR orders for DL and LNP, collectively "Comcast Orders". Frontier will work with Comcast to identify specific test scenarios for the Comcast Orders. The TE will be populated with a wide range of accounts, and Frontier will consult with Comcast prior to the date specified in subsection (i) below to identify the accounts that will be included in the TE. Specific accounts of Comcast Orders will be generated for Comcast, along with a group of retail accounts generated by Frontier. Addresses and telephone numbers from representative NPAs for West Virginia will be selected by Frontier (with input from Comcast) and loaded into the TE using Converted Data, and these can be used for pre-ordering and ordering activity (not all addresses and telephone numbers from production will be loaded into the TE). Frontier shall have sufficient Converted Data in the TE as to allow Comcast to run all the aforementioned test scenarios against such Converted Data. Frontier will work with Comcast to identify the Converted Data which has been loaded into the TE. Comcast may test LSR (LNP and DL) and ASR orders up to and including the service order processor, with full cycle scenarios covering pre-order, order submission, reject, jeopardy notices, order flow through and order completion notices (billing completion and provisioning completion). For billing associated with Comcast Orders, files will be validated jointly by the Parties for format, content and completeness with the Converted Data.

h. Frontier will notify Comcast of the specific regular business hours of availability for such functional testing, which shall generally be based on standard business hours. The TE will allow Comcast to test application-to-application interfaces for pre-ordering and ordering activity for the Comcast Orders. Specifically, the TE will contain the appropriate applications for the Comcast Orders. Comcast will be responsible for establishing and maintaining connectivity into the TE, but Frontier will work with Comcast to coordinate and facilitate those connections. Such connections will consist of

the same connectivity options that Comcast will use post-close with Frontier. Testing will include both GUI and e-bonded interfaces. Converted Data may be sanitized for testing to protect customer and account identities and comply with applicable laws and regulations.

i. Comcast must provide a set of accounts to Frontier no later than two weeks before the test period identified in (I)(1)(f) to allow the for account "set up" in the TE, and Frontier and Comcast will work cooperatively prior to such date to ensure TE readiness.

j. Based on the test orders described above, Frontier shall issue a report documenting the Frontier Systems' functionality during this test period, based on Frontier's typical measurement of successful order processing. Frontier will not cut over to the Frontier Systems until it is able to report that the Frontier Systems provide the same quality of service and generally the same level of LNP and DL flow through capability as the current Verizon OSS. Comcast shall provide Frontier with its test results as soon as practicable after it receives the results. Frontier must receive all test results no later than 5 PM Eastern Time one week after the test window described in Section (I)(1)(f) closes or one week after Comcast completes testing, whichever is earlier. Frontier shall issue its report (or, if necessary, notice of additional testing) two weeks later.

k. Prior to and in conjunction with the Comcast testing, the Parties will establish a cooperative process through which Comcast may escalate concerns arising from the identification of system errors resulting from the Frontier Systems, or other test failures to Frontier. The Parties will work on a business-to-business basis to facilitate timely resolution of any such errors prior to the cutover to the Frontier Systems at Closing.

l. Neither Party waives any right it may have independent of this Agreement to seek resolution of any disputes relating to the Converted Data or the Frontier Systems with the Commission.

m. Prior to the cutover to the Frontier Systems, Frontier will notify Comcast in writing that the Frontier Systems have been successfully tested and is operationally ready. Within five (5) business days of receiving such notice, Comcast may notify Frontier of any concerns it may have regarding the success of the Frontier Systems, and Frontier will investigate and work with Comcast on a business-to-business basis to address any issues resulting from the Systems that affect Comcast and to ensure that the Frontier Systems will be fully operational at closing.

n. Frontier shall retain or improve Verizon's current firm order confirmation, porting and provisioning intervals for number porting, directory listings, DS-1 provisioning and maintenance intervals for Hi-Cap services in West Virginia.

o. For good cause shown, Frontier may need to establish a period of time during the transition to the Frontier Systems in which orders may not be submitted or other features or functions of the Frontier Systems will not be available to all similarly situated carriers on a nondiscriminatory basis ("Embargo Period"). Frontier shall take commercially reasonable efforts to minimize or eliminate the need for such Embargo Period. To the extent such Embargo Period is necessary, Frontier shall provide written notice to Comcast of such planned event. Such notice shall be provided as soon as any such Embargo Period is identified by Frontier, but in no case less than three weeks prior to any planned Embargo Period. In an effort to minimize disruption of operations, Frontier shall utilize existing maintenance windows and planned outage period to minimize any needed Embargo Period. Should an Embargo Period be necessary, the parties shall work cooperatively before and after the Embargo Period to minimize any disruption or delays in the submission and provisions of Comcast Orders. Should an Embargo Period be necessary and such Embargo Period be forecasted or actually last more than three (3) calendar days or more than two (2) business days, the parties shall invoke a process by which Comcast can continue to submit and Frontier can continue to process orders via methods other than using the Frontier Systems.

p. Frontier shall, within three (3) business days of submitting its Service Provider Identification ("SPID") Migration Request to the Number Portability Administration Center ("NPAC"), provide Comcast written notice of such request. Frontier shall keep Comcast informed on the progress associate with LERG SPID migration in an effort to cooperatively and seamlessly migrate to the Frontier Systems.

q. Frontier shall provide to Comcast, at a time convenient for both Parties but no later than 30 days prior to the Frontier Systems cut over and at no cost to Comcast, a training session sufficient to educate Comcast on how to process LSR and ASR orders (including pre-ordering, ordering, maintenance and provisioning functions) using the new GUI.

r. Any orders pending completion in the Verizon OSS at the time of cut over to the Frontier Systems shall be converted by Frontier so that such orders will be completed post cut over without any further intervention or order resubmission by Comcast.

II. Other Frontier Obligations Post-Closing

Frontier will comply with the following after the Proposed Transaction is consummated:

a. Frontier will not discontinue any Verizon wholesale service offered to competitive carriers at the time of closing for one year after closing of the transaction except as approved by the Commission.

b. Frontier will not seek to recover through wholesale service rates one-time transfer, branding or transaction costs.

c. Frontier will hold wholesale customers harmless for increases in overall management costs incurred by Frontier that result from the transaction.

d. Frontier shall continue Verizon's current monthly Carrier-to-Carrier Guidelines Performance Standards and Reports, and associated Performance Assurance Plan, as may be modified from time-to-time by Commission order or mutually agreed to by Comcast and Frontier.

e. Frontier will comply with the FCC Order 09-41 that implements a porting interval for simple wireline-to-wireline and intermodal port requests within one business day applicable to carriers with more than 2 percent of the nation's lines installed in aggregate nationwide.

f. Frontier will honor, assume or take assignment, in whole or in part, of all obligations under Verizon's current interconnection agreements, interstate special access tariffs and intrastate tariffs, commercial agreements, line sharing agreements, and other existing arrangements with wholesale customers ("Assumed Agreements"). Frontier shall not terminate or change the rates, terms or conditions of any effective Assumed Agreements during the unexpired term of any Assumed Agreement or for a period of twenty-four months from the Closing Date, whichever occurs later unless requested by the interconnecting party, or required by a change of law. Comcast shall have the right to revise its existing Verizon Commitment Discount Plan Customer Request for Service, dated May 24, 2006, to reflect the transfer of the Verizon West Virginia operations to Frontier. Verizon and Comcast shall work together cooperatively to do so within 90 days after the Closing Date.

g. Frontier will allow requesting carriers to extend existing interconnection agreements, whether or not the initial or current term has expired, until at least 30 months from the Closing Date, or the date of expiration, whichever is later.

h. Frontier shall allow a requesting competitive carrier to use its pre-existing interconnection agreement, including agreements entered into with Verizon, as the basis for negotiating a new replacement interconnection agreement.

i. Rates for tandem transit service, any interstate special access tariffed offerings or any intrastate wholesale tariffed offering, reciprocal compensation and TELRIC 252(c)(2), and (d), rates for 251(c) facilities or arrangements shall not be increased by Frontier for at least twenty-four months from the Closing Date; nor will Frontier create any new rate elements or charges for distinct facilities or functionalities that are currently already provided under existing rates or at no charge. Frontier shall continue to offer any currently offered Term and Volume Discount plans until at least twenty-four months from the Closing Date. Frontier

will honor any existing contracts for services on an individualized term pricing plan arrangement for the duration of the contracted term. This includes the Commitment Discount Plan in place between Verizon and Comcast as it relates to services Comcast is purchasing in West Virginia. Frontier will reduce pro rata the volume commitments provided for in agreements to be assigned to or entered into by Frontier or tariffs to be concurred in and then adopted by Frontier (including the Commitment Discount Plan), without any change in rates and charges or other terms and conditions for services purchased from Verizon in West Virginia, so that such volume pricing terms will in effect exclude volume requirements from states outside of West Virginia.

j. Frontier will not seek to avoid any of its obligations under the Assumed Agreements on the grounds that Frontier is not an incumbent local exchange carrier ("ILEC") under the Federal Communications Act of 1934, as amended, 47 U.S.C. § 151 *et seq*, (the "Communications Act"), on the grounds that it is exempt from any of the obligations hereunder pursuant to Section 251(f)(1)-(2) of the Communications Act or on the grounds that Frontier is not subject to the requirements in Section 271 of the Communications Act that are applicable to a Regional Bell Operating Company ("RBOC").

k. For one year following the Closing Date, Frontier will not seek to reclassify as "non-impaired" any wire centers in West Virginia for purposes of Section 251 of the Communications Act, nor will Frontier file any new petition under Section 10 of the Communications Act seeking forbearance from any Section 251 or dominant carrier regulation in any wire center in the identified states.

l. Frontier shall provide and maintain on a going-forward basis updated escalation procedures, contact lists and account manager information that is in place at least 30 days prior to the transaction close date. The updated contact list shall identify and assign a single point of contact for Comcast with the authority to address ordering, provisioning, billing and OSS systems maintenance issues of Comcast. Frontier will work with Comcast to identify the appropriate point of contact to address technical and network escalation issues.

m. Frontier will continue to make available to each wholesale customer the types of information that Verizon currently makes available concerning wholesale operations support systems and wholesale business practices via the CLEC Manual, industry letters, and the change management process. In addition, Frontier will continue the CLEC User Forum process, in a substantially similar manner, following the transition or cutover date. Frontier will provide the wholesale customer training and education on any wholesale operations support systems implemented by Frontier after closing without charge to the wholesale customer.

n. Frontier will maintain a Change Management Process ("CMP") similar to Verizon's current process, including CMP meetings, the frequency of which for the first twelve months from Closing Date shall be monthly, and thereafter, as

agreed upon by the Parties. Pending CLEC Change Requests will be completed in a commercially reasonable time frame.

o. Frontier shall ensure that the Wholesale and CLEC support centers are sufficiently staffed by adequately trained personnel dedicated exclusively to wholesale operations so as to provide a level of service that is comparable to that which was provided by Verizon prior to the transaction and to ensure the protection of CLEC information from being used for Frontier's retail operations.

p. In the event a dispute arises between Frontier and Comcast with respect to any of the post-closing conditions herein, either party may seek resolution of the dispute by filing a petition with the West Virginia Public Service Commission pursuant to the procedures for enforcement of interconnection agreements set forth in the Commission's rules. If the Commission has no such procedures, then either party may use the West Virginia Public Service Commission's general dispute resolution or complaint procedures.

q. After closing of the proposed transaction, Frontier shall also refrain from invoicing Comcast for the access toll connecting trunk intrastate dedicated tandem trunk ports charges in West Virginia previously billed by Verizon in West Virginia.

r. The signatories to this settlement will file this Settlement Agreement, or other appropriate filing, with the Commission and jointly ask the West Virginia Public Service Commission, to the extent required, to approve the settlement, or other appropriate filing, and state that they are not opposed to the Commission approval of the transaction if conditioned as set forth herein. Frontier agrees to stipulate to the admission of the Comcast prepared testimony into the record in the pending proceeding (to the extent required) but that testimony shall not be considered part of the record if the Commission accepts this Stipulation in full. Comcast and its agents, employees and attorneys will not engage in any advocacy contrary to this agreement. The Parties waive cross examination of one another and Verizon West Virginia at any hearing held in this docket. The Parties agree to support approval of this Settlement throughout this proceeding. The Parties acknowledge that it is the prerogative of the Commission to accept, reject or modify any settlement. Accordingly, in the event that this Settlement Agreement, stipulation, or other filing is rejected or modified, it is expressly understood by the Parties that they are not bound to accept this settlement agreement, stipulation, or other filing, as modified or rejected and may avail themselves of whatever rights are available to them by law in the Commission's *Rules of Practice and Procedure,* including the right to participate in the regulatory process before the West Virginia Public Service Commission.

s. Each of the above conditions will go into effect only upon the Closing of the proposed transaction and will continue for a period of three years following closing unless otherwise specifically identified.

t. Frontier has also engaged in settlement discussions with other CLECs in West Virginia regarding resolution of their concerns in the pending proceeding before the West Virginia Public Service Commission and which may subsequently result in the execution of a settlement agreement to be filed with the West Virginia Public Service Commission. Frontier agrees to make the same settlement terms and conditions included in any such settlement agreement available to Comcast in West Virginia.

III. Legal Terms

1. Nothing in this Agreement shall affect (a) any Party's obligation to respond truthfully as to its position of record on inquiries from governmental entities or judicial and administrative proceedings; (b) prohibit a Party from defending itself or taking positions or advocating before any legislative or regulatory bodies on specific issues as long as such actions are not inconsistent with this Agreement; or (c) preclude a Party from membership in any associations that may take positions on specific issues so long as the Party does not use its membership as a device to avoid its obligations under this Agreement.

2. If the Proposed Transaction is not approved by the FCC, the West Virginia PSC or otherwise does not close, the Parties shall not be bound by this Settlement Agreement.

3. Nothing in this Agreement shall preclude the application to Comcast of any state or FCC conditions (whether imposed, adopted, approved or voluntarily agreed to) as a result of the transaction when such conditions are to be made available to CLECs generally. Any such state conditions will be applicable only within that specific state. Any such FCC conditions will be applicable in all states, except as otherwise may be provided by the terms of the FCC's merger conditions.

4. The Parties shall prepare and execute such other documents as are reasonably necessary to effectuate the terms of this Settlement Agreement.

5. This Settlement Agreement is made without admission against or prejudice to any factual or legal positions that any of the Parties have asserted or may have asserted in the referenced proceedings absent this Settlement Agreement.

6. This Settlement Agreement is to be construed and enforced in accordance with the laws of the state of West Virginia. The Parties may only disclose the contents of this Settlement Agreement as is necessary for enforcement of its terms or as otherwise may be required by the State Commissions.

7. This Settlement Agreement constitutes the entire and final agreement between the Parties in connection with the Applications and the other matters addressed in this Settlement Agreement and supersedes all prior written and oral agreements, representations and understandings, and may only be changed by an agreement made in writing and signed by all the Parties hereto.

8. This Settlement Agreement is binding upon and inures to the benefit of the Parties hereto and their heirs, successors and assigns.

9. The Parties agree that this Settlement Agreement may be signed in any number of separate counterparts and that, once signed by all Parties, all counterparts shall be considered as if contained in a single document.

10. If any term or other provisions of this Settlement Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect.

WHEREFORE, intending to be bound by the terms of this Settlement Agreement set forth herein, the Parties have set forth their signatures on the date indicated below,

Comcast Phone LLC on behalf
of itself and Comcast Phone of West Virginia, LLC

By:
Name: Susan Jin Davis

Title: VP of Strategic Partnerships
Date: Communications and Data Services
1-8-10

Frontier Communications Corporation
and the post-closing Frontier West Virginia, Inc.

By:

Name:

Title:

Date:

Frontier Communications Corporation
and Verizon West Virginia, Inc.

By:

Name:

Title:

Date:

WHEREFORE, intending to be bound by the terms of this Settlement Agreement set forth herein, the Parties have set forth their signatures on the date indicated below.

Comcast Phone LLC on behalf
of itself and Comcast Phone of West Virginia, LLC

By:
Name: Susan Jin Davis

Title:
Date:

Frontier Communications Corporation
and the post-closing Frontier West Virginia, Inc.

By:
Name: Kevin Saville

Title: Associate General Counsel

Date: 1-12-10

Verizon Communications Inc.
and Verizon West Virginia, Inc.

By:
Name: Lydia Pulley

Title: General Counsel - Verizon WV

Date: 01/11/2010

APPENDIX B

PROCEDURAL HISTORY

On May 29, 2009, the Applicants jointly applied for approval of a Transaction that will spin off substantially all Verizon wireline business in West Virginia and merge those entities with Frontier. The Applicants also filed a portion of their overarching agreement.

On June 1, 2009, CAD filed to intervene in this matter, arguing that it is a proceeding with potential adverse effects on ratepayers. CAD Petition to Intervene.

On June 4, 2009, CWA filed to intervene in this matter to advocate for the interests of its membership. CWA Petition to Intervene.

On June 10, 2009, NTELOS filed to intervene in this matter, arguing that it has an interest in this proceeding because it is party to an interconnection agreement with Verizon WV. NTELOS Petition to Intervene.

On June 11, 2009, FiberNet filed to intervene in this matter because it is party to an interconnection agreement with Verizon WV and relies on Verizon WV to properly conduct its business. FiberNet Petition to Intervene.

On June 25, 2009, CAD requested that the Commission synchronize the procedural schedules in several pending matters and prevent deadlines in those matters from overlapping. CAD proposed that the Commission schedule this matter for hearing in January 2010 and set other deadlines accordingly.

The Applicants also moved for a procedural schedule, but requested that the Commission call this matter for hearing in October 2009. The Applicants alleged that a later hearing may interfere with attempts to apply for federal grants and delay their closing. Several intervenors also opposed the schedule that the Applicants proposed.

On June 30, 2009, Citynet filed to intervene in this matter because it is party to an interconnection agreement with Verizon WV and substantially relies on Verizon WV to provide telecommunications services. Citynet Petition to Intervene.

On July 10, 2009, the Applicants requested leave to file their direct testimony.

On July 14, 2009, Comcast filed to intervene in this matter, arguing that it has a material interest in the services currently provided by Verizon WV. Comcast Petition to Intervene.

On July 23, 2009, the Commission issued an order scheduling an evidentiary hearing, for January 12, 2010, directed the Applicants to publish notice of the hearing, granted several pending requests to intervene, established a procedural schedule and added the current Frontier operating subsidiary in West Virginia as a party to this proceeding.

On July 31, 2009, U.S. Cellular and Level 3 Communications petitioned to intervene in this matter.

On August 3, 2009, Verizon and Frontier filed proof of waiver for any conflicts in sharing local representation. The Commission also approved motions to admit separate counsel for both parties to the Transaction *pro hac vice*.

On August 14, 2009, DOD petitioned to intervene in this matter.

On August 18, 2009, CAD requested that the Commission extend all discovery deadlines while leaving the hearing date unchanged or alternatively extending most deadlines by two weeks, extending the settlement deadline by three weeks and delaying the hearing date by one week. The Applicants opposed that request, characterizing it as an untimely request for reconsideration that CAD presented without proper cause.

The Commission issued an Order on September 10, 2009, denying the request to modify the procedural schedule. The Commission also granted pending requests to intervene from US Cellular, Level 3 Communications and DOD.

On September 21, 2009, CAD requested that the Commission reconsider its September 10, 2009 Order and narrow the deadlines for responding to discovery requests. CAD also stated that the Applicants have not provided all the information it requested in discovery. The Applicants responded by asserting that they have timely responded to the discovery requests from all parties and objected to what they perceived as serial requests for reconsideration of the procedural schedule.

CAD replied on October 5, 2009, expressing its concern that the Applicants are not providing documents to parties that requested copies of all discovery disclosures. CAD also asserted that the Applicants are not filing all discovery responses with the Executive Secretary in violation of Procedural Rule 13.6.c. CAD attached a series of e-mails to support its assertion.

On October 6, 2009, the Commission denied the CAD request to reduce discovery timelines. The Commission also reminded parties of their obligations to comply with Procedural Rule 13.6.

On October 16, 2009, CAD moved for modification of the October 6, 2009 Order. It sought a Commission directive requiring the Applicants to (i) file all discovery documents with the Commission and (ii) tender copies of the documents to other parties that may not have received all disclosure as requested. CAD noted that it may not have standing to file a motion to compel the outstanding discovery because it has received copies of the discovery in question. The CWA filed a response in support of the CAD request.

On October 21, 2009, the Applicants responded in opposition to the October 16, 2009 CAD request, asserting that they have complied with the Procedural Rules. The Applicants, however, inserted a curious footnote asserting that they have no obligation to file "voluminous and confidential documents with the Executive Secretary." Instead of filing confidential documents, the Applicants have filed numerous objections or references to other discovery documents.

On November 16, 2009, the Intervenors including CAD, Staff, CWA, DOD and several

competing carriers filed extensive direct testimony.

On December 1, 2009, various parties filed rebuttal testimony. The Applicants filed substantial rebuttal testimony including testimony from witnesses that did not present direct testimony.

Also on December 1, 2009, the Applicants requested protective treatment for several categories of data they asserted to be exempt from the provisions of the FOIA. The Applicants did not refer to specific documents or testimony in their request, but instead provided grouped lists of information including (i) a category for future business plans and projections including revenue, cost, wage and investment projections for both Frontier and Verizon through 2014; (ii) a category for market share and cost data including DSL availability, competing carrier requests, density figures, broadband service figures or evaluation of promotional offers; and (iii) a category for business methods used to operate the networks including data from the RQSP trouble statistics, data on technician staffing levels, the cutover plan and the realignment plan for Verizon. The Applicants assert that these categories of data are all subject to the trade secret exception to FOIA and meet the six-part Tsapis test. The Applicants attached brief affidavits from Verizon and Frontier to support the assertions in the motion.

The Applicants also moved for waiver of the Commission filing rules to allow filing of a digital version of an exhibit to the rebuttal testimony of David Whitehouse. The exhibit is a 500 page Form 424B Proxy/Prospectus initially filed with the SEC. A rebuttal panel Frontier filed also referred to the exhibit. The Applicants initially arranged with the Executive Secretary to file the exhibit on a compact disk and offered paper copies to any party requesting that format.

On December 14, 2009, CAD filed a response opposing the protective treatment requests from the Applicants. CAD argued that the requests were defective for failing to specify the documents included by the requests. CAD also noted that some putatively secret data is already in the public domain. The CWA also supports denying the protective treatment requests on the basis that much of the data included in the requests is publicly available, but CWA also asserted that the Commission should release some of this material for the benefit of the public to evaluate the Transaction.

On December 28, 2009, the Applicants narrowed the December 1, 2009 protective treatment request to a list of 58 items designated Exhibit A. The Applicants also tendered revised affidavits in support of the narrowed list.

On December 30, 2009, the Commission directed CAD and the CWA to respond to the revised protective treatment request by January 4, 2010. The Commission also instructed the parties to continue to pare down the protective treatment request.

On January 4, 2010, CAD and the CWA filed responses as directed. Both continue to object to most of the items listed by the Applicants.

On January 5, 2010, the Applicants filed a letter stating that they continued to work on paring down the protective treatment request. A revised Exhibit A dated January 8, 2010, removed an additional twelve items.

On January 12, 2010, the Commission opened the hearing in this matter and then took public comment regarding the sale application. After the public comments, the Commission received a proposed settlement between Frontier and the CLECs and a second settlement between Comcast and the Applicants. At hearing, the Commission noted that it was unwilling to allow the CLECs to withdraw their testimony under the settlements. Tr. 1/12/10 at 123-4. Level 3 also announced that it had no further interest in participating. Id. at 112.

After receiving the proposed settlements, the Commission heard evidence from the parties and admitted numerous exhibits into evidence including the direct and rebuttal testimony tendered by the parties. At the conclusion of the proceedings, the Commission established a briefing schedule providing for the filing of initial briefs on or before February 19, 2010 and the filing of reply briefs on or before March 5, 2010. The Commission accepted a listing of conditions proposed or accepted by the Applicants in their filings and testimony designate CR1. Finally, the Commission directed the Applicants to file post-hearing exhibit listing the conditions imposed on or agreed by the Applicants in other jurisdictions. Tr. 1/15/10 at 246-249.

On January 21, 2010, CAD filed its initial version of CR2. DOD filed comments objecting to the CR2 on January 27, 2010. DOD requested that the Commission reject the filing and require the Applicants to submit a revised filing. CAD requested that the Commission supplement CR2 with data attached to its comments.

On February 2, 2010, CAD moved to supplement the record with data showing that Frontier did not obtain first-round funding for broadband expansion in West Virginia under BTOP.

On February 4, 2010, the Applicants supplemented post-hearing exhibit CR2 regarding stipulated conditions in other states.

On February 19, 2010, the parties filed initial briefs. CAD filed an initial brief arguing that the Applicants have failed to make even a prima facie case at hearing and engaged in discovery abuses. CAD also argued that the Commission should dismiss the matter for failing to introduce all of their agreements into evidence at hearing. In addition to its procedural arguments, CAD asserted that the Commission should reject the Transaction for failing to meet the statutory test in W.Va. Code §24-2-12. In the event that the Commission decides to approve the Transaction, CAD recommended a series of conditions to minimize the potential harm.

Staff and the CWA also urged the Commission to reject the Transaction. Staff moved the Commission to dismiss the matter for failure to make a prima facie case. CWA and Staff reiterated several CAD arguments.

In contrast to other Intervenors, DOD qualified its opposition to the proposed Transaction. DOD opposes the Transaction as written, but does not object to the deal with conditions designed to prevent harm to customers such as the federal government. DOD has entered into a settlement with the Applicants in other states, but not in West Virginia. CR2.

The Applicants submitted a joint brief arguing that they have met the requirements of W.Va. Code §24-2-12 and urging the Commission to reject any attempt to lay financial conditions on the sale.

On February 26, 2010, the Applicants filed a second supplement to Exhibit CR2. The supplement included additional settlements and an order approving the Transaction in Ohio where Verizon is transferring several hundred thousand lines to Frontier.

On March 1, 2010, the Commission issued an order directing the Applicants to file any amendments to their merger agreement or the associated distribution agreement on or before March 4, 2010. The Commission also extended the due date for filing replies to March 12, 2010, to allow the parties to comment on the March 3, 2010 filings in their reply briefs.

On March 2, 2010, CAD requested reconsideration of the March 1, 2010 order.

On March 3, 2010, the Commission denied the CAD request to reconsider its March 1, 2010 Order.

Also on March 3, 2010, the Applicants filed the July 24, 2009 Amendments to the merger agreement and the associated distribution agreement. The Applicants noted that they attached a version of their merger agreement and distribution agreement incorporating the changes in the rebuttal testimony of David Whitehouse. They also filed compact discs containing the remaining schedules and subsidiary portions of the agreements.

On March 10, 2010, CWA tendered a copy of a recommended decision to reject the Transaction in Illinois and requested that the Commission take administrative notice of that filing.

On March 12, 2010, the parties filed reply briefs in this matter. The briefs substantially reflect positions stated in the initial briefs.

The Applicants filed a letter on March 16, 2010, clarifying that the Exhibit DW-1 to Frontier Ex. 3, containing the revised merger and distribution agreement is out of sequence in the record.

On April 5, 2010, the Applicants filed Amendment No. 2 to the Distribution Agreement and an Agreement Regarding Intellectual Property Matters. The Applicants requested in a cover letter that the two documents remain under seal until disclosed in a filing to the SEC. A third document announced that the Applicants have obtained $3.2 billion in financing for the cash payment from Spinco to Verizon at closing. The Applicants plan to hold the funds in escrow until closing. The financing notes mature from 2015 through 2022 with interest rates ranging from 7.875% to 8.75%.

On April 10, 2010, CWA filed a letter expressing concern regarding the April 5, 2010 filings. The Applicants responded on April 20, 2010, asserting that filings do not include any material change to the Transaction.

On April 21, 2010, the Applicants filed an additional revision to CR2, and filed a public version of amendments to the agreements on April 23, 2010, initially filed on April 5, 2010.

On April 26, 2010, Staff filed a letter supporting the April 10, 2010 CWA letter.

On April 28, 2010, the Applicants filed a fourth supplement to CR2 including the order approving the Transaction from the Illinois Commerce Commission.

On April 30, 2010, the CWA requested further hearing to address the application of broadband standards proposed by the FCC on the internet offerings from Frontier.

On May 3, 2010, the Applicants objected to the request for further hearing, noting that the FCC has not yet translated its new broadband plan into any rule changes and that the FCC is separately investigating the Transaction.