

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

In the Matter of the :  
Joint Application of :  
Frontier Communications :  
Holdings, Inc., and : Case No. 09-454-TP-ACO  
Verizon Communications :  
for Consent and Approval:  
of a Change in Control. :  
:

- - -

PROCEEDINGS

Before Rhonda Hartman-Fergus, Commissioner, at  
233 West Center Street, 2nd Floor, Marion, Ohio,  
on Wednesday, September 9, 2009, commencing at  
6:00 p.m.

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PUBLIC STATEMENTS - MARION, OHIO

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- - -

1 APPEARANCES:

2 Thompson Hine, LLP  
3 By Thomas E. Lodge and Carolyn S. Flahive  
4 41 South High Street  
5 Suite 1700  
6 Columbus, Ohio 43215-6101

7 On behalf of the Applicants.

8 Ohio Consumers' Counsel  
9 By Terry Etter and Amy Carles  
10 10 West Broad Street  
11 Suite 1800  
12 Columbus, Ohio 43215-3485

13 On behalf of Intervenor Ohio  
14 Consumers' Counsel.

15 ALSO PRESENT:

16 Shana Eislestein

17 - - -

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1 Wednesday Evening Session,  
2 September 9, 2009.

3 - - -

4 COMMISSIONER FERGUS: The Public  
5 Utilities Commission of Ohio has assigned for  
6 public hearing at this time and place, Case No.  
7 09-454-TP-ACO which is captioned In the Matter  
8 of the Joint Application of Frontier  
9 Communications Holdings, Inc., and Verizon  
10 Communications for Consent and Approval of a  
11 Change in Control.

12 My name is Ronnie Fergus. I am a  
13 Commissioner with the Public Utilities  
14 Commission of Ohio and I will be conducting this  
15 hearing this evening. With me is Shana  
16 Eislestein from our Public Affairs Department.

17 In addition, as Shana mentioned, we  
18 have Steve in the back of the room from the PUCO  
19 who might help answer any questions you might  
20 have but don't necessarily relate to the merger  
21 itself, but if you have any questions about your  
22 service or PUCO rules, we'd be happy to assist  
23 you in that. And also, I know that the  
24 companies have representatives here, Verizon has  
25 representatives from their customer service

1 department, if you have any questions that you  
2 would like to discuss with them as well.

3 In addition, the Ohio Office of  
4 Consumers' Counsel is represented tonight and  
5 I'm sure you have staff here as well that might  
6 be able to help assist. They are your advocate  
7 for residential utility issues and they have  
8 people here that can assist you tonight as well.

9 At this time I would like to take  
10 appearances on behalf of the parties. Do we  
11 have someone on behalf of the company?

12 MR. LODGE: Yes. Thank you,  
13 Commissioner Fergus. My name is Tom Lodge. I'm  
14 with the law firm of Thompson Hine, LLP in  
15 Columbus. I represent both Frontier and Verizon  
16 in this proceeding. With me is my partner  
17 Carolyn Flahive. She's here tonight. Also, as  
18 Commissioner Fergus indicated, there are a  
19 number of folks from Verizon and Frontier around  
20 in the room. Taking a guess, if you were to  
21 walk up to somebody with a tie on, it's probably  
22 somebody from the phone company. My address for  
23 purposes of the record is 41 South High Street,  
24 Columbus 43215. Thank you very much.

25 COMMISSIONER FERGUS: Thank you,

1 Mr. Lodge. And on behalf of the Ohio Consumers'  
2 Counsel?

3 MR. ETTER: Thank you, Commissioner  
4 Fergus. On behalf of the Ohio Consumers'  
5 Counsel, Janine Migden-Ostrander. Our office is  
6 at 10 West Broad Street in Columbus, Ohio 43214.  
7 My name is Terry Etter. I'm an Assistant  
8 Consumers' Counsel, and I know somewhere in the  
9 back, there she is, is Amy Carles who is from  
10 our Outreach and Education Office. We're both  
11 here to answer your questions. If you haven't  
12 received our position paper yet, be sure to get  
13 one if you'd like. Amy has extras back there.  
14 It outlines our position. We are an intervenor  
15 in this case and we have many -- share many of  
16 the same concerns that the Commission shares  
17 regarding the transaction. Thank you.

18 COMMISSIONER FERGUS: Are there any  
19 other intervening parties here tonight that  
20 wanted to make an appearance on the record?  
21 Okay. Let me just note for you, so you know,  
22 that there are several other parties that have  
23 formally intervened in this proceeding at the  
24 Commission besides the Office of the Consumers'  
25 Counsel. Cincinnati Bell Extended Territories,

1 who is another telecommunications provider, has  
2 intervened, as well as Comcast Phone of Ohio.  
3 We also have interventions that have been  
4 granted to the Communication Workers of America,  
5 and the International Brotherhood of Electrical  
6 Workers, Local 986. All those parties have been  
7 granted formal intervention, and even though  
8 they didn't make an appearance tonight at the  
9 public hearing, they are in the docket and they  
10 are able to make their views known formally in  
11 that docket, and everything that they put in the  
12 dockets will be part of the formal record that  
13 the Commission will consider when we make our  
14 decision.

15           So having taken the appearances, as  
16 Shana said, there are going to be six local  
17 public hearings scheduled in this matter. This  
18 is our second one. We had one last night as  
19 well. And Commissioners are attending the  
20 hearings, so we are hearing firsthand what  
21 consumers are saying about the merger and we  
22 will take that into account along with all the  
23 other testimony and information and data that's  
24 going to be filed in this case. All of that  
25 will be taken into account when it comes time to

1 make our decision. And that's the purpose of  
2 this hearing tonight is to get your comments and  
3 give you an opportunity to let us know what your  
4 thoughts are about this.

5 As I mentioned, our Court Reporter  
6 will be transcribing everything you say, and I'm  
7 going to begin calling witnesses from the list  
8 of sign-ups that we got. I will ask for your  
9 name and address for the record. Even though  
10 you wrote it down on this piece of paper, if you  
11 could state it for the record so that the Court  
12 Reporter can get it in the transcript, that  
13 would be very helpful. Also, if you would speak  
14 up so everyone can hear.

15 I will be swearing you in. It is a  
16 formal hearing and there will be sworn testimony  
17 and that means that you could be asked questions  
18 by the folks that made an appearance tonight.  
19 That doesn't usually happen, and believe me, I  
20 won't let them do the Perry Mason thing on you,  
21 so don't be intimidated by coming up to  
22 testify. Should you decide that you don't want  
23 to testify, if you signed this list and you feel  
24 like other people have already said what you  
25 wanted to say and you don't really want to



1 testify but you want to go down on the record as  
2 having taken some position on this, Steve can  
3 work with you from the PUCO and you could sign  
4 kind of like a petition to let us know what you  
5 think if you don't want to get up and make a  
6 statement in front of everybody.

7 If you have prepared a written  
8 statement, it would be helpful if you could get  
9 a copy to our Court Reporter so that she doesn't  
10 miss anything that you said. That would be  
11 appreciated.

12 As I mentioned before, we really  
13 appreciate you taking time out of your evening  
14 to come here and share with us your thoughts on  
15 this transfer. So at this time I will begin  
16 calling witnesses forward. The first one on our  
17 list is Tami, is it Dralling?

18 MS. DROLLINGER: Drollinger.

19 COMMISSIONER FERGUS: Tami, would  
20 you like to come up?

21 MS. DROLLINGER: Yes.

22 COMMISSIONER FERGUS: Would you  
23 raise your right hand.

24 - - -  
25

1 TAMI DROLLINGER

2 presented herself as a public witness, and being  
3 first duly sworn, testified as follows:

4 MS. DROLLINGER: My name is Tami  
5 Drollinger. I live at 235 South Vine Street  
6 here in Marion. I'm the president of  
7 Communication Workers of America, Local 4371,  
8 representing workers at Verizon, and I am a  
9 concerned Verizon customer. Verizon has  
10 proposed to sell off its wireline assets in Ohio  
11 to Frontier Communications. If this sale is  
12 approved, Verizon stands to receive \$3.3 billion  
13 in cash tax free. Verizon's track record in  
14 recent transactions indicate that while Verizon  
15 is able to take advantage of a loophole in the  
16 tax code called the Reverse Morris Trust to dump  
17 undesirable areas tax free, the buyers of these  
18 properties, their customers and the employees,  
19 are left in disarray.

20 Let's examine the track record.  
21 Verizon sold lines in Hawaii to Hawaii Telecom.  
22 Burdened with debt and substandard service,  
23 Hawaii Telecom was bankrupt in three years.  
24 Verizon spun off its Yellow Pages directory  
25 business to shareholders as a separate entity

1 called Idearc but not before loading it up with  
2 \$9 and one half billion in debt. Idearc went  
3 bankrupt in under 900 days.

4 Then there's Fairpoint which  
5 purchased one and one-half million access lines  
6 in New England from Verizon. Fairpoint has been  
7 unable to maintain adequate service since taking  
8 over, which has resulted in state commissions  
9 being bombarded with complaints from frustrated  
10 customers. Most analysts say it's a matter of  
11 when, not if, Fairpoint files for bankruptcy.

12 If this sale is approved, Frontier's  
13 debt will increase from \$4 and a half billion to  
14 \$8 billion. Frontier promises that they will  
15 increase capital expenditures, improve service  
16 quality, and significantly expand broadband  
17 availability. How will Frontier accomplish all  
18 of its promises? To date, Frontier has not  
19 secured financing for the additional debt it  
20 will take on from this transaction.

21 How can you make decisions about the  
22 business and make promises of expanded services  
23 when you don't know the cost or the terms of the  
24 financing? Ohio cannot afford more lost jobs  
25 and its citizens cannot afford to go without

1 broadband. It is an economic and educational  
2 necessity.

3 Marion and other areas of Ohio are  
4 entitled to the same level of service and  
5 products available in metropolitan areas. In  
6 fact, in New Philly, the county commissioners  
7 passed a resolution to oppose the transfer of  
8 Verizon landlines because they were so concerned  
9 about the quality of service.

10 While Frontier promises that they  
11 can expand the availability of broadband, the  
12 heavy debt they will carry as a result of this  
13 transaction means that it is likely an empty  
14 promise. The customers of Marion and throughout  
15 the State of Ohio deserve more than empty  
16 promises. What they do not deserve is to bear  
17 the brunt of a sale that could jeopardize the  
18 tax base of their communities, the quality of  
19 their service, the educational opportunities for  
20 their children through broadband, or a sale that  
21 puts their neighbors' jobs at risk. Thank you.

22 COMMISSIONER FERGUS: Thank you.  
23 Just a minute, Mrs. Drollinger. Are there any  
24 questions for the witness?

25 MR. LODGE: No. Thank you.

1 MR. ETTER: No.

2 COMMISSIONER FERGUS: Thank you very  
3 much. Our second witness is Steve Chaff -- I  
4 can't read the last letter.

5 MR. CHAFFIN: Chaffin.

6 COMMISSIONER FERGUS: Chaffner?

7 MR. CHAFFIN: Chaffin.

8 COMMISSIONER FERGUS: Chaffin.

9 Would you raise your right hand.

10 - - -

11 STEVE CHAFFIN

12 presented himself as a public witness, and being  
13 first duly sworn, testified as follows:

14 COMMISSIONER FERGUS: Your name and  
15 address for the record.

16 MR. CHAFFIN: Yes, ma'am. Steve  
17 Chaffin, 1671 Weiss Avenue, Marion, Ohio. We  
18 all know the corporations act out of  
19 self-interest. To them greed is good. But not  
20 all of us agree to this philosophy. We don't  
21 always agree that greed is good. Not everyone  
22 agrees that unrestrained corporate self-interest  
23 is best for our society and that's why we pass  
24 laws. That's why we set the Public Utilities  
25 Commission. We passed a law, Revised Code

1 4905.402 which says, no, Verizon/Frontier, you  
2 can't just do whatever you want to act in your  
3 self-interest. You have to pass a test of  
4 public convenience, not just corporate  
5 convenience but the public convenience.

6 If you look at the evidence in the  
7 case, as the Consumer's Counsel has outlined  
8 from a legal point of view, there just isn't any  
9 evidence to support this merger, this deal. As  
10 the first witness has already testified, the  
11 evidence shows that these deals were just part  
12 of the larger corporate strategy to sell off the  
13 unprofitable parts of their business so they can  
14 invest their money into the larger urban areas  
15 which are more profitable for their fiberoptic  
16 program. They can't do it in the rural areas;  
17 it's just too expensive. They've been losing  
18 customers here in Marion and they're going to  
19 lose them all over the rural areas and stuff  
20 while they're trying to dump it. They have done  
21 it in New England and Hawaii.

22 The law says that they have the  
23 burden of proof of showing there's adequate  
24 service from this deal and the public must be  
25 considered in terms of rates and charges.

1 Again, there's just no evidence that this deal  
2 is going to keep rates low or promote increased  
3 service. There's just no evidence on it.

4 The deal being considered here is  
5 part of -- not part of an isolated transaction  
6 which they would like to look at, it's part of a  
7 corporate restructuring. I only spent a couple  
8 hours doing some research today after I become  
9 aware of this to find out what their strategy  
10 was. It's all over the trade papers. You can  
11 research it fairly quickly. And no one can  
12 blame them for what they're doing. They're  
13 protecting their shareholders, but the Public  
14 Utilities Commission, that's not the bottom line  
15 for you. You have to look out for the public  
16 interest.

17 We have already talked a little  
18 about the impact on the local economy. We have  
19 a representative from the City of Marion which  
20 would be impacted by the loss of tax revenue.  
21 One of the corporations they've set up to  
22 transfer their land lines to has already gone  
23 bankrupt. That means the workers are gone, all  
24 the workers that were working for the company  
25 and paying taxes and contributing to local

1 economy, they're all gone. The other one's on  
2 the verge of bankruptcy. That's what's going  
3 to happen to Verizon North or whatever the new  
4 entity they're setting up.

5 And what you need to consider, I  
6 think also, just in terms of the history, how  
7 did Verizon get to the point of this? For the  
8 last how many years before they were Verizon  
9 they were GT, then they were Ohio Bell. Their  
10 profits, their structure's built on working  
11 people that are in this room today. They sweat  
12 and sacrificed to make this company. It wasn't  
13 just the stockholders, it was the workers that  
14 also did this, and they should be considered.  
15 Verizon shouldn't be allowed just to sell off  
16 its unprofitable part, leave town and leave the  
17 workers in the community stuck with whatever the  
18 results are going to be.

19 So we ask you to act with your  
20 statutory obligation to protect the public  
21 interest. You are not neutral here, you are not  
22 acting as a neutral, like a court. You're  
23 acting in protecting the public interest and  
24 looking at the statute and looking at the  
25 evidence and, again, I just don't think there's



1 any evidence to support this deal is in the  
2 public interest, is going to provide public  
3 convenience or adequate service.

4 And just in terms of common sense,  
5 if Verizon, the second largest land line service  
6 provider in this country, can't build out  
7 broadband to rural areas, how are these smaller  
8 entities going to do that that are  
9 undercapitalized? I mean, it just doesn't make  
10 any sense. The Consumers' Counsel laid this out  
11 well. They're our public advocate. We pay them  
12 and we actually pay you to look after our  
13 interest also. So please, act in our interest.  
14 A lot of us are very disillusioned about  
15 government these days, are very disillusioned  
16 about the corporate actors acting responsibly.

17 We have gone through this the last  
18 year with the government having to be involved  
19 in bailing these guys out. Don't bail these  
20 guys out. Make them stay here. Make them build  
21 out broadband. It won't be as profitable, but  
22 in the long run they can still turn a dime. So  
23 do what's right in the public interest and turn  
24 down this merger request. Thank you.

25 COMMISSIONER FERGUS: Thank you.

1 Any questions?

2 MR. LODGE: No.

3 MR. ETTER: No.

4 COMMISSIONER FERGUS: Thank you.

5 Andrew Miller? Raise your right hand.

6 - - -

7 ANDREW MILLER

8 presented himself as a public witness, and being  
9 first duly sworn, testified as follows:

10 COMMISSIONER FERGUS: Please state  
11 your name and address for the record.

12 MR. MILLER: My name is Andrew  
13 Miller. I live at 650 David Street in Marion,  
14 Ohio. Before I ask the questions that are bound  
15 to be on the minds of everyone affected by this  
16 potential sale of Verizon's land line telephone  
17 business in Ohio, Frontier, I want to recount  
18 the details of another similar sale. In 2007  
19 Verizon announced a sale of its land line  
20 operations in Vermont, Maine, and New Hampshire  
21 to Fairpoint Communications, a company slightly  
22 smaller than Frontier Communications.

23 On January 30, the plant cutover  
24 date, the problems started for Fairpoint.  
25 Service issue complaints increased as quality

1 suffered in all three affected areas. Billing  
2 issue complaints rose to unprecedented levels in  
3 Vermont. Customer complaints and repair calls  
4 were not handled, returned, or acted upon.

5 But this isn't really the major  
6 problem. On August 25 an anonymous source  
7 contacted each of the state utility boards and  
8 informed them that the tests held in Atlanta to  
9 demonstrate the readiness of the Fairpoint  
10 network was staged in its entirety. It is  
11 alleged that Fairpoint created a special  
12 computer program to simulate the traffic network  
13 conditions and other telecommunications status.  
14 In other words, the testing that the states  
15 relied upon for approving the deal that they had  
16 appointed an independent consultant to review  
17 and report on, was based upon what is  
18 essentially a complete work of fiction.

19 What's more is Fairpoint had many  
20 reasons to get this deal done and over with as  
21 soon as possible. They are in debt. They are  
22 treading waters trying to stay afloat paying  
23 Verizon that \$16 million a month to maintain the  
24 traffic until the switch over.

25 In fact, right now they're trying to

1 avoid bankruptcy at all cost. Its first quarter  
2 '09 financial status report to stockholders  
3 stated that it was considering engaging a  
4 financial advisor to evaluate its current and  
5 capital structure and to explore options with  
6 respect to a potential restructuring. It also  
7 acknowledged that it was at risk of failing to  
8 comply with the interest coverage covenant  
9 contained in its credit facility as early as the  
10 covenant measure period ending June 30, 2009.

11 So with this in mind, I ask you and  
12 everyone else in this room, is this deal really  
13 about improving the quality of services to the  
14 citizens of this state? How can we be certain  
15 that we won't have a repeat of the same issues  
16 plaguing the consumers in these other markets?  
17 Thank you.

18 COMMISSIONER FERGUS: Thank you.  
19 Any questions?

20 MR. LODGE: Yes. Just one. Mr.  
21 Miller, just to be clear about it, the  
22 shenanigans that you talked about relative to  
23 the anonymous E-mail, that had to do with  
24 Fairpoint Communications.

25 THE WITNESS: Yes.

1                   MR. LODGE: It is not the same  
2 company as Frontier Communications, is it?

3                   THE WITNESS: Right.

4                   MR. LODGE: Thank you.

5                   COMMISSIONER FERGUS: Thank you.  
6 Gail Castle?

7                   MS. CASTLE: Nothing at this time.  
8 I think my questions have been answered and put  
9 very well. Thank you very much.

10                  COMMISSIONER FERGUS: Okay. Thank  
11 you. Corrine McAfee?

12                  MS. MCAFEE: No, I'll pass at this  
13 point.

14                  COMMISSIONER FERGUS: Okay. Chris  
15 McAfee?

16                  MR. MCAFEE: Yes. Most of my  
17 concerns have already been shared but I'm going  
18 to stand up here in case there are some  
19 questions. I might be able to shed a different  
20 twist.

21                  COMMISSIONER FERGUS: Would you  
22 raise your right hand.

23                                 - - -  
24  
25

1 CHRIS MCAFEE

2 presented himself as a public witness, and being  
3 first duly sworn, testified as follows:

4 MR. MCAFEE: My name is Chris McAfee  
5 and I live at 578 Olney Avenue here in Marion.  
6 I'm an outside tech and I work for Verizon and  
7 we all, my fellow workers and I, there are  
8 several of us in this room, we have concerns  
9 also about what's going to happen, and I think  
10 Tami did a good job sharing a lot of those  
11 concerns.

12 The only thing that I might be able  
13 to offer that hasn't been shared there is maybe  
14 the quality of the plant that's already out  
15 there, or what's happening right now. So if  
16 there is any questions, I'd be more than happy  
17 to answer them.

18 COMMISSIONER FERGUS: Do you want to  
19 make any statement about that?

20 MR. MCAFEE: I feel like we're kind  
21 of on hold with what's happening. We don't know  
22 exactly what's going to happen. Our contract is  
23 about ready to expire and we're going to deal  
24 with Verizon with our contract. Fairpoint by  
25 law will have to honor that contract.

1 MR. LODGE: Frontier, sir.

2 COMMISSIONER FERGUS: You mean  
3 Frontier.

4 MR. MCAFEE: I'm sorry, I'm sorry,  
5 Frontier. I'm thinking too much about  
6 Fairpoint. So they are required to honor that  
7 contract, but our concerns are such that is the  
8 money going to be there? you know, and that  
9 point was already raised. So that's a very big  
10 concern of ours with what's going to happen in  
11 the near future. A lot of the folks here in  
12 Marion are retirement age now. In Marion there  
13 are probably, there are nine techs, and seven  
14 out of those nine are eligible for retirement  
15 with over 30 years. That should be a concern  
16 for Marion as a city. Where are they going to  
17 find the new employees? It's been stated, well,  
18 we don't care how many of you retire, we can  
19 find techs to take your place. But I'm telling  
20 you, there's a lot of experience in this room,  
21 and once that goes, you don't get it back that  
22 easy. And I know these fellows and women that  
23 are on our crew, they do their best to do the  
24 best job we can service-wise.

25 COMMISSIONER FERGUS: Okay. Any

1 questions?

2 MR. LODGE: Nothing. Thank you.

3 MR. ETTER: No.

4 COMMISSIONER FERGUS: We appreciate  
5 your comments. Thank you. Tom Rosenhess or is  
6 it Rosenhous?

7 MR. ROSENBERG: Rosenberg.

8 COMMISSIONER FERGUS: Rosenberg. Oh,  
9 boy, I'm really bad at reading that writing.

10 - - -

11 TOM ROSENBERG

12 presented himself as a public witness, and being  
13 first duly sworn, testified as follows:

14 MR. ROSENBERG: My name is Tom  
15 Rosenberg. I work at 155 East Broad Street,  
16 Columbus, Ohio 43215. I'm legal counsel to the  
17 statewide International Brotherhood of  
18 Electrical Workers which is not limited to 986,  
19 the intervenor, but rather deals with the entire  
20 state council. There are a number of IBEW  
21 people here today and I do want you to get a  
22 feel for that. If there are members of the IBEW  
23 in the room, could I ask you to stand or if you  
24 are standing, raise your hand so we just kind of  
25 see how many are here. I count about seven or



1 eight that are here today, and we're here for  
2 the very important reason of bringing to the  
3 PUCO's attention our concerns about the process  
4 that's going on right now. We do appreciate the  
5 opportunity to speak about this transaction  
6 between Verizon and Frontier. The fact that  
7 Verizon is selling not just its wireline  
8 business in Ohio, but also other states, to much  
9 smaller financially weaker companies is of  
10 concern to the IBEW.

11           A reliable telecommunications  
12 network in Ohio is critical to maintaining a  
13 healthy economy. Not only do we depend upon  
14 reliable basic dial tone, we also need an  
15 expandable broadband network that can keep pace  
16 with changing technology. E-commerce,  
17 telemedicine, interactive distance learning,  
18 enhancements in public safety are just some of  
19 the key applications that require high speed  
20 Internet access.

21           Broadband is quickly evolving into a  
22 fiber and wireless base product. Frontier  
23 currently depends on copper-based DSL's flagship  
24 broadband product. We're concerned that the  
25 residences and businesses of Ohio in the

1 impacted areas will be denied access to the  
2 information super highway.

3           The questions exist: Will Frontier  
4 be capable of managing such an increase in the  
5 size of its business? In the 14-state area  
6 that's impacted, and of which it proposes to  
7 acquire, Frontier will realize a 300 percent  
8 increase in access lines and a 200 percent  
9 increase in employees. In Ohio alone, right now  
10 Frontier currently manages, to the best of our  
11 knowledge, approximately 500 access lines with  
12 no Ohio-based employees. If this sale is  
13 approved, Frontier will be required to manage  
14 and supervise Verizon's business which currently  
15 consists of approximately 635,000 lines and 1300  
16 employees in Ohio.

17           Questions exist about its ability to  
18 do so. They need to be answered. Frontier has  
19 agreed, in our opinion hastily, to purchase  
20 Verizon's property without securing the  
21 necessary financing for the \$3.3 billion it will  
22 owe and has not taken the necessary time to  
23 inspect the conditions of what it will purchase:  
24 the plant, the real estate, the vehicles, the  
25 equipment. Yet Frontier claims it will save

1 \$500 million through synergies, which are really  
2 nothing more than cost cutting and consolidation  
3 activities, while promising to increase capital  
4 expenditures, improve service quality,  
5 significantly expand broadband, provide  
6 wholesale services to competitive local exchange  
7 carriers, and do it at significantly less cost  
8 than one of the largest and more experienced  
9 telecom companies in the world. Frontier  
10 basically says trust us. They can do it all and  
11 satisfy everyone. We are skeptical about their  
12 ability to deliver. This is likely why the Ohio  
13 Consumers' Counsel has also come out against  
14 this sale.

15           While Frontier's claimed use of  
16 synergies to make its product more effective  
17 sounds good, what it means is that they will  
18 look for ways to collapse operations to save  
19 resources. This means many jobs in Ohio are at  
20 risk. The call center in Marion, for example,  
21 employs close to 600 people. Frontier has  
22 indicated its intent to place the hub of its  
23 operations outside of Ohio where other call  
24 centers exist. What is the future of these 600  
25 jobs in Marion? Frontier won't say. We worry.

1           While Verizon has had problems with  
2 service quality and broadband build out in Ohio,  
3 it has the deep pockets and vast operational  
4 resources needed to improve service, build out  
5 high speed infrastructure and sustain its  
6 operations over the long term of mid-economic  
7 dips and natural emergencies. Frontier will  
8 have fewer resources and no margin for error to  
9 sustain on-going operations, much less address  
10 emergencies or greater expected line losses.  
11 Just ask, as you have already heard tonight, the  
12 consumers in Hawaii, Maine, New Hampshire, and  
13 Vermont if they are better off now than when  
14 Verizon ran their telecom operations. State  
15 regulatory commissions in Maine, New Hampshire,  
16 Vermont, and Hawaii approved the sale of  
17 Verizon's operations to other entities with  
18 numerous conditions that they thought would  
19 protect the consumers and the two companies.  
20 They were wrong. After struggling with a loss  
21 of over 20 percent of its customer base, Hawaii  
22 Telecom filed for bankruptcy in December 2008.  
23 Fairpoint, which has assumed Verizon's  
24 operations in Maine, New Hampshire, and Vermont  
25 has also run into significant service, quality,

1 technical, and financial problems and may be on  
2 the verge of bankruptcy.

3 Consumers, workers, and communities  
4 will bear the risk of this transaction.  
5 Traditionally when companies run into problems,  
6 they cut capital expenditures, lay off workers,  
7 attempt to increase rates. Consumers may run  
8 that risk of higher rates and worse service.  
9 Workers worry about their jobs, benefits, and  
10 security. Communities worry about poor service,  
11 less ability to respond to emergencies, and less  
12 expansion of the high speed network needed for  
13 economic development.

14 Verizon should not be allowed to  
15 shed its unwanted small town and rural  
16 properties to a company that may, I'm not saying  
17 is, may be ill-prepared to provide and maintain  
18 a healthy telecommunications infrastructure.  
19 And that's important to say may, not is, because  
20 what we really urge the PUCO to do is to hold a  
21 series of formal evidentiary hearings that is  
22 currently within their discretion to do. The  
23 last order issued by the PUCO said that  
24 evidentiary hearings may be held, and that is  
25 still within your discretion to do. Only

1 through a series of formal evidentiary hearings  
2 will enough information be available to  
3 effectively judge whether or not this  
4 transaction is truly beneficial to the citizens,  
5 workers, and businesses of Ohio.

6           There must be an opportunity to  
7 question Frontier about its intentions,  
8 abilities, and capabilities, and let's not give  
9 up this right to do so. Open public process  
10 requires evidentiary hearings so that  
11 examination and questions and cross-examination  
12 of Frontier and Verizon can occur.

13           It is for this reason that we  
14 impress upon you the need for such hearings on  
15 behalf of the IBEW, and I thank you very much.

16           COMMISSIONER FERGUS: Thank you.  
17 Any questions?

18           MR. LODGE: No questions. Thank  
19 you, sir.

20           MR. ETTER: No.

21           COMMISSIONER FERGUS: Thank you very  
22 much. The next witness is Fred, and I can't  
23 read your writing.

24           MR. SABOL: Sabol.

25           COMMISSIONER FERGUS: Sabol.

1 MR. SABOL: How do you do.

2 COMMISSIONER FERGUS: Good. Would  
3 you raise your right hand.

4 - - -

5 FRED SABOL

6 presented himself as a public witness, and being  
7 first duly sworn, testified as follows:

8 COMMISSIONER FERGUS: Please state  
9 your name and address for the record.

10 MR. SABOL: My name is Fred Sabol.  
11 I live at 401 Adams Avenue. That's in Huron,  
12 Ohio. I'm the business manager of Local 986,  
13 IBEW. I guess part of the reason I'm here is I  
14 too, as you've heard before, I have concerns of  
15 the financing and how it's going to take  
16 effect. Part of the concern on the 3.3 billion  
17 is, it's my understanding also, that that  
18 financing has not been secured yet, and I think,  
19 not that I was a part of it, but I think we had  
20 a little, like, mortgage crises with people not  
21 being able to pay; if you don't know what your  
22 interest rate is, if you don't know what your  
23 debt is, and all of a sudden we had a whole lot  
24 of stuff up for sale.

25 In addition to that, I too believe

1 that there has been a lack of due diligence  
2 where facilities and vehicles, equipment, things  
3 like that may not have been inspected or viewed  
4 as much as they should. It sounds kind of funny  
5 to hear somebody say that, hey, we're worried  
6 maybe about the purchaser, instead of let it be  
7 the buyer beware, that it's, you know, maybe  
8 it's the pig in the poke. And I too, as Tom  
9 Rosenberg stated, I think we need those  
10 evidentiary hearings, I think, because without  
11 those, in Verizon's defense, maybe they have got  
12 this all put together in Frontier's defense.  
13 Give us a chance to ask those tough questions.  
14 They're saying they have the answers. Thank you  
15 very much.

16 COMMISSIONER FERGUS: Thank you.  
17 Any questions?

18 MR. LODGE: None.

19 MR. ETTER: No.

20 COMMISSIONER FERGUS: Thank you.  
21 Steve Reinhard. Raise your right hand.

22 - - -  
23  
24  
25



1 STEVE REINHARD

2 presented himself as a public witness, and being  
3 first duly sworn, testified as follows:

4 COMMISSIONER FERGUS: Please state  
5 your name and address for the record.

6 MR. REINHARD: Steve Reinhard, 2030  
7 State Route 4, Bucyrus, Ohio. Hi. I guess I am  
8 kind of speaking in favor of the sale. I think  
9 from my perspective, it looks like maybe Verizon  
10 wants to concentrate on their cellular service  
11 which I think leaves a big hole in our area here  
12 as far as our constituency goes. Frontier has  
13 expanded broadband in some of their rural areas  
14 they have said that they would expand that in.  
15 I think from some of the other, no longer being  
16 an elected official, but some of the other  
17 elected officials in the county will agree that  
18 one of the things that we do lack in this area  
19 would be broadband to our rural areas, and  
20 especially now when we see that a lot of our  
21 businesses tend to be more small businesses, 50  
22 employees or less, and some of those even being  
23 a home-based type business. The  
24 other thing I think we need to look at is  
25 education. That was brought up before about the

1 long-distance learning. That's a way that I  
2 think we can beam a lot of classes maybe from  
3 Ohio State to the rural students in our area  
4 right into their home which we don't have that  
5 capability of doing right now.

6 As a former elected official, I have  
7 worked very hard with mayors in Marion, county  
8 commissioners of Marion, Crawford, Wyandot  
9 Counties to help develop business. I obviously  
10 don't want to see the call center moved or  
11 closed. And Tami, I think, brings up a very  
12 good point for the people that she represents.  
13 But I do see that we do need a broadband  
14 expansion in this area, and especially in the  
15 northwest corner and up into Wyandot County, and  
16 I'll give you an example.

17 My sister recently moved back to  
18 Ohio from another state and actually works in  
19 one of the Marion County school systems, and she  
20 is a Verizon user out of Nevada, and doesn't  
21 have the ability to have the broadband or the  
22 high-speed Internet which makes it very hard for  
23 her to research, especially when she's getting  
24 ready for lesson plans and doing things like  
25 that. So I do think that that would be a

1 benefit to our area, and if Verizon is not  
2 wanting to do that, then I think we need to look  
3 at some other alternative. Thank you.

4 COMMISSIONER FERGUS: Thank you.  
5 Any questions?

6 MR. LODGE: No.

7 MR. ETTER: No.

8 COMMISSIONER FERGUS: I appreciate  
9 your comments. I don't know what happened to  
10 Steve. Is there anyone else signed up? Is  
11 there anyone else in the room that would like to  
12 get up and make a comment that did not sign up?  
13 Okay. Thank you again for your time. We  
14 appreciate that you came out and took your time  
15 to share with us your thoughts. We will take  
16 this back to the Commission and the Commission  
17 will still have to decide whether we're going to  
18 have evidentiary hearings, but there are  
19 definitely going to be four more local public  
20 hearings so we'll be hearing from people all  
21 over the State, and we promise you, we will take  
22 into account what you had to say. Thank you  
23 again. And with that, I will close and adjourn  
24 the hearing. Thank you.

25 - - -

CERTIFICATE

I do hereby certify that the foregoing is  
a true and correct transcript of the proceedings  
taken by me in this public hearing before the  
Public Utilities Commission of Ohio on September  
9, 2009.

\_\_\_\_s/Iris I. Dillion\_\_\_\_\_

Iris I. Dillion, Registered  
Professional Reporter.

- - -

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