

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

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**STIPULATION AND RECOMMENDATION --  
JOINT APPLICANTS, STAFF AND  
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

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The Staff of the Public Utilities Commission of Ohio ("Commission Staff" or "Staff"), and the parties hereto,<sup>1</sup> being the Joint Applicants Frontier Communications Corporation ("Frontier"), New Communications Holdings Inc. and Verizon Communications Inc. (collectively, "Verizon") and the Office of the Ohio Consumers' Counsel ("OCC") (collectively, the "Stipulating Parties"), hereby submit to the Public Utilities Commission of Ohio (the "Commission") this Stipulation and Recommendation (the "Stipulation").

**1. Recitals**

a. On May 29, 2009, Frontier and Verizon filed a Joint Application seeking Commission approval of a change of control for Verizon North Inc. pursuant to R.C. § 4905.402.

b. In the Commission's Entries herein, the motions to intervene of the following parties were granted: the Office of the Ohio Consumers' Counsel ("OCC"), International Brotherhood of Electrical Workers Local 986 and the Communications Workers of America (collectively, "Labor").<sup>2</sup>

c. On August 19, 2009, the Commission issued an Entry identifying issues to be addressed in this proceeding.

d. By Entry of November 10, 2009, the Commission scheduled an evidentiary hearing in this matter, to commence December 8, 2009.

e. Representatives of the Joint Applicants, Commission Staff, and all parties interested in doing so met in several open sessions, beginning on November 23, 2009, in an

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<sup>1</sup> Pursuant to O.A.C. §§4901-1-10 and 4901-1-30, the Staff is a party for purposes of this Stipulation.

<sup>2</sup> Level 3 Communications LLC filed a notice of withdrawal from this proceeding on December 4, 2009.

attempt to reach a common resolution of the issues set forth in the Commission's Entry. All parties were provided notice of an opportunity to participate in all settlement discussions. Prior to execution of the final draft of the Stipulation, multiple drafts, including but not limited to a final draft, were circulated to all parties for their review and comment.

f. After extensive negotiations, the Stipulating Parties, represented by experienced counsel and other experts reflecting widely varying interests and knowledgeable of the circumstances, having before them, inter alia, the Joint Application and the prefiled testimony of all parties, having conducted extensive discovery and reviewed and considered the comments and testimony in this proceeding, and otherwise being fully advised, have agreed upon the terms of this Stipulation, set forth herein, and recommend its adoption by the Commission.

WHEREFORE, the Stipulating Parties hereby stipulate and agree as follows:

## 2. Definitions

a. The terms "Commission" and "PUCO" mean the Public Utilities Commission of Ohio.

b. The term "Joint Applicants" means Frontier and Verizon. The term "Verizon North" means Verizon North Inc., an indirect wholly-owned subsidiary of Verizon Communications Inc. The term "Verizon North Ohio" means those assets, liabilities and operations of Verizon North as are jurisdictionally assigned to the State of Ohio in conformity with Verizon's standard practice. Unless otherwise stated, the terms "Service Area of Verizon North Ohio," "Verizon North Ohio Service Area" and "VNSA" mean the geographic area where Verizon North Ohio provides basic local exchange service on the date this Stipulation and Recommendation is executed.

c. The term "Merger" means the business combination set forth in the Joint Application and the Joint Applicants' associated testimony, and as reflected in the Merger Agreement.

d. The terms "Merger Closing Date" and "Merger Close" mean the day that, the Joint Applicants cause a Certificate of Merger to be executed, acknowledged, and filed with the Secretary of State of Delaware.

e. The term "Merger Agreement" refers to the Agreement and Plan of Merger executed among Frontier, New Communications Holdings Inc. and Verizon on May 13, 2009, as amended, together with all associated schedules and documents.

f. Where this Stipulation defines a period of time as "x years following" an event or as "a period of x years" after an event, the period of time begins on the date of the event and ends x years thereafter (*i.e.*, if the Stipulation refers to "3 years following the Merger Closing Date" and the Merger Closing Date is May 31, 2010, the relevant time period is from June 1, 2010 through May 31, 2013).

- g. The term "Stipulating Party" refers to a signatory to this Stipulation.
- h. The term "Opposing Party" refers to a party to these proceedings that has not signed this Stipulation.
- i. The term "Hearing" refers to the evidentiary hearing scheduled by the Commission's Entry of November 10, 2009.
- j. The term "Broadband Program" refers to the broadband program described and to be implemented pursuant to Section 4 of this Stipulation.
- k. The term "Frontier North" refers to Verizon North as owned and operated by Frontier after the Merger Close with respect to the VNSA.

### 3. General Terms And Conditions

- a. The Stipulating Parties agree that, subject to the conditions as set forth herein, the Commission should approve the Joint Application by approving and adopting, as part of its Opinion and Order in this matter, this Stipulation resolving all of the issues in this proceeding.
- b. The terms of this Stipulation shall become effective upon approval of the Stipulation, by Commission Order, as a full and final resolution of the issues.
- c. Unless otherwise specifically stated, the terms of this Stipulation shall commence on the Merger Closing Date. In the event the Joint Applicants withdraw their Joint Application, the obligations under this Stipulation shall then become null, void, and of no effect except for those which by their express terms survive such a withdrawal. If the Joint Applicants determine in accordance with the Merger Agreement that Merger Close will not occur, the Joint Applicants will promptly provide notice to all parties thereof and this Stipulation will thereafter be null and void and of no effect.
- d. On the Merger Closing Date or immediately thereafter, the Joint Applicants will file a notice in this docket that the Certificate of Merger has been filed with the Secretary of State of Delaware.
- e. Obligations arising under this Stipulation are classified for convenience. Such classification, however, is non-substantive, and is not intended to define or restrict any obligation of any party that arises out of this Stipulation.
- f. This Stipulation is expressly conditioned upon adoption, in its entirety, by the Commission without material modification by the Commission. The Stipulating Parties agree that, if the Commission's Opinion and Order in this proceeding adopting this Stipulation contains material modifications, deletions, or additions, as the basis for its decision in this proceeding, to be evidenced by incorporation of such material modifications, deletions, or additions of this Stipulation within the Commission's Order in this proceeding by reference, restatement, and/or

attachment, they will not oppose or argue against any other Signatory Party's application for rehearing that seeks to uphold the original, unmodified Stipulation. Upon the Commission's issuance of an Entry on Rehearing that does not adopt the Stipulation in its entirety without material modification, any Signatory Party may terminate and withdraw from the Stipulation by filing a notice with the Commission within 30 days after the Commission's Entry on Rehearing. Prior to any party seeking rehearing or terminating and withdrawing from this Stipulation pursuant to this provision, the Signatory Parties agree to convene immediately to work in good faith to achieve an outcome that substantially satisfies the intent of this Stipulation, or proposes a reasonable alternative thereto, to be submitted to the Commission for its consideration. Upon notice of termination or withdrawal by any Signatory Party, pursuant to the above provisions, this Stipulation shall thereupon become null and void and shall not constitute any part of the record in this proceeding, nor shall it be used for any purpose in this proceeding or any other proceeding. If such a notice is filed, the Stipulating Parties agree that the hearing in this proceeding should be reconvened for such testimony as authorized by the Commission. In the event the hearing is reconvened for that purpose, the Stipulating Parties agree that the hearing in this proceeding should not be considered concluded, for purposes of triggering the 20-day decision timeline in R.C. §4905.402, until such time as the reconvened hearing is concluded.

g. Subject to Commission approval, the Stipulating Parties agree to support completion of the hearing and briefing on this Stipulation in an expeditious manner so as to allow the record to be submitted to the Commission within 30 calendar days of the date of this Stipulation.

h. The Stipulating Parties agree that they will make no official statement or representation, orally or in writing, inconsistent with this Stipulation, and will use their best efforts to ensure that their agents and employees will make no such statement or representation.

i. The Stipulating Parties recognize that the Commission is not bound by the terms of this Stipulation, but submit that it is entitled to careful consideration. The Stipulating Parties stipulate that (1) this Stipulation is a product of serious bargaining among capable, knowledgeable parties; (2) the Stipulation, as a package, benefits customers and the public interest; and (3) the Stipulation and its terms and conditions do not violate any important regulatory principle or procedure.

j. The Stipulating Parties agree that this Stipulation cannot be used in any other proceeding by anyone for any purpose other than as necessary to enforce its terms.

k. The Stipulating Parties agree that the Hearing should proceed only for the following purposes:

i. To adduce testimony of the Joint Applicants in support of this Stipulation, which testimony may be presented without prefiling as supplemental oral testimony;

ii. To introduce the prefiled testimony of the Joint Applicants;

iii. To permit any Opposing Party to introduce its prefiled testimony;

iv. To permit cross examination, redirect examination and recross examination (as permitted by the Attorney Examiner) of Joint Applicant witnesses by any Opposing Party, and of Opposing Party witnesses by any Stipulating Party; and

v. To address any and all procedural matters incident to consideration, approval and implementation of this Stipulation.

1. The Stipulating Parties stipulate that this Stipulation addresses the issues identified in the Commission's Entry of August 19, 2009 (including but not limited to matters relating to transactional synergies and financial considerations, in-state presence, quality of service and competition and wholesale operations), together with all Commission Entries and Orders heretofore entered herein, and satisfies the requirements contained in R.C. §4905.402. The Stipulating Parties further stipulate and agree that approval of the Joint Application conditioned on the terms of this Stipulation will promote the public convenience and result in the provision of adequate service for a reasonable rate, rental, toll, or charge. Accordingly, the Stipulating Parties recommend that the Stipulation should be adopted promptly and in its entirety, without modification, deletion, or addition, by the Commission.

#### 4. Commitments of the Joint Applicants

##### a. Broadband Deployment and Capital Investment

##### i. Broadband Deployment

Frontier North will develop and implement a Broadband Program for the deployment of broadband facilities throughout the VNSA, such that by December 31, 2013, 85% of the households within the VNSA will be able to access broadband service provided by Frontier North, at speeds of at least 1 MB download. Further, the Broadband Program will target areas in the VNSA that are currently unserved by a broadband service provider, as reflected in part in the list of 108 exchanges provided by OCC to Frontier in connection with this Stipulation. The Broadband Program will be delivered to the Staff and the OCC within six months after Merger Close. Within four weeks of such delivery, Frontier North, Staff and OCC will meet to review the Broadband Program and to confirm geographic scope of the Broadband Program and the timelines for its implementation, and will negotiate in good faith to reach agreement on the specific geographic areas within Ohio where Frontier will target deployment of broadband pursuant to the Broadband Program. Any disagreements that continue four weeks after delivery of the Broadband Program shall be submitted to mediation through the Commission's Legal Department, which mediation will be resolved within 45 days of submission. If, upon implementation of the Broadband Program, Frontier North at any time identifies any feature thereof that it considers to be technically infeasible or impossible to implement in accordance with the agreed Broadband Program, Frontier North will so notify Staff and the OCC at the earliest opportunity to renew the foregoing review process. At its earliest opportunity, Frontier North will apply for federal stimulus funding to support the Broadband Program if opportunity to

do so exists, but the parties' commitments hereunder are not predicated or conditioned on the receipt of such funding.

ii. Capital Investment and Local Service Rates

1. Capital Investment

Commencing on Merger Close, Frontier North will make capital investments within the VNSA at an annual average rate of at least \$110.00 per access line, or \$50 million overall (whichever results in a greater total capital investment), for each of the three years following the Merger Close. Part of such capital investment may be expended in implementation of the Broadband Program, although any federal stimulus funding that Frontier North received for broadband services will not be used to meet this capital investment commitment. If, on December 31, 2012, broadband facilities are not available to 80% of households within the VNSA, this commitment will be extended for one (1) additional year from Merger Close at the same annual average rate based on the then current number of access lines.

2. Basic Local Exchange Rates

Beginning on the date of this Stipulation and continuing through the duration of the Broadband Program, Verizon North (subject to section 3.c of this Stipulation), and Frontier North will not pursue any right or opportunity to increase Tier 1 residential basic local exchange rates in the VNSA effective during such period. This commitment does not apply to bundled service offerings that include basic local exchange service. Further, Frontier North will have the right to seek relief from this commitment for material exogenous events.

b. Quality of Service

During the first three 12 months after Merger Close, Frontier North will track its performance for each of the four service metrics identified below utilizing the same methodology and processes utilized by Verizon North to track and report its service quality performance. Within 30 days following the conclusion of each 12-month period, Frontier North will submit a report to the Commission and to the OCC summarizing its annual performance for each of the following four metrics.

i. Metrics

1. Troubles/100 access lines

Frontier North will maintain an average 12-month statewide performance level of not more than 1.44 troubles per 100 access lines.

2. Repeat Troubles

Frontier North will maintain an average 12-month statewide performance level of not more than 16.2% repeat troubles within thirty days after the initial trouble is cleared.

### 3. Out-of Service Restoral

Frontier North will maintain an average 12-month statewide performance level of 90% for the MTSS requirement for restoring out-of-service conditions within 24 hours.

### 4. Service Affecting Conditions Restoral

Frontier North will maintain an average 12-month statewide performance level of 85% for the MTSS requirement for restoring service-affecting conditions within 48 hours.

#### ii. Enforcement

Frontier North will track its performance on a quarterly basis for each of the four service metrics identified above, and, within 30 days following the conclusion of each quarter, Frontier North will submit a report to the Commission summarizing its quarterly performance for each of the four metrics. Further, Frontier North will then provide exchange-level information along with statewide information. If Frontier North fails to meet one or more of the four service metrics for any two years of this commitment, Frontier North will forfeit \$100,000 to the State of Ohio for each of the four service metrics it so failed to meet. In addition, if Frontier North fails to meet one or more of the four performance metrics for the three 12-month periods during the term of this commitment, Frontier North will forfeit an additional \$100,000 to the State of Ohio for each of the four service metrics it so failed to meet.

#### iii. Duration

The commitments in this subsection (b) concerning quality of service shall continue for 3 years after Merger Close.

### c. Wholesale Services, Operations Support Systems and Facilities

#### i. Interconnection and Wholesale Tariffs

1. Frontier North will honor, assume or take assignment of all obligations under Verizon North's current interconnection agreements and intrastate special access tariffs in the VNSA and shall not change the rates contained in the interconnection agreements or the Verizon North intrastate special access tariff or the interconnection agreements for a period of twenty-four months from the Merger Close, unless allowed by change of a federal or state law after the date hereof.

2. Frontier North will allow requesting carriers to extend existing interconnection agreements at Merger Close, whether or not the initial or current term thereof has expired, until at least 30 months from Merger Close. If any carrier makes a written request



for reopening or renegotiation of an existing agreement, this commitment will not apply to that carrier.

3. Frontier North will continue to make available to each wholesale carrier the types of information that Verizon North currently makes available concerning wholesale operations support systems and wholesale business practices via the CLEC Manual, industry letters, and the change management process.

4. Frontier North will continue the CLEC User Forum process following Merger Close.

5. Frontier North will provide the wholesale carriers training and education on any wholesale operations support systems implemented by Frontier after Merger Close.

6. Frontier North 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 Merger Close shall be monthly, and thereafter, as agreed upon by the parties.

ii. Operations Support Systems

1. Replication

Verizon will take full responsibility for replicating its existing systems and transferring existing data to the replicated systems. Verizon will undertake testing of the systems during the replication process before the systems are put into production and utilized. That testing will consist of the processing and flow through of sample data and the verification of the results of that testing. Frontier will have the opportunity to provide feedback on the test plan, to review the results of Verizon's testing, and to request that other tests be run. Once the pre-production testing results confirm the replication has been successful, Verizon will complete the replication and physically separate the CLEC customer operations support systems to be transferred to Frontier. Verizon will put the CLEC systems into real time use to operate its North Central region, including Ohio (but excluding West Virginia). The Verizon employees operating the replicated systems prior to the closing of the transaction will continue employment with Frontier after the transaction closes or other training will be provided to new employees. Those Verizon employees will already be trained on the replicated system before Verizon puts the CLEC systems into real time use to operate its North Central systems.

2. Wholesale

After the existing Verizon CLEC operations support systems are replicated and physically separated, those replicated CLEC operational support systems will be used by Verizon to support the wholesale service it provides in Ohio for at least 60 days prior to the closing. During this period, Verizon will receive CLEC orders, provision and bill for services in the normal course of its business. Frontier will validate the performance of the replicated systems to

ensure the systems are fully operational. In the event that issues or problems arise, including problems identified by CLECs and communicated to Verizon and/or Frontier, Verizon and Frontier will investigate, and Verizon will make the necessary system modifications, if any, to remedy those service issues to ensure that those systems are fully operational. The closing will not occur unless and until those systems are fully operational. Frontier will continue to use the Verizon operational support systems and their interfaces after the closing of the proposed transaction, which will result in at least the same quality of services and support as those carriers receive from Verizon. Frontier will not replace those systems during the first three years after Merger Close of the transaction without providing 180 days prior written notice to the Commission and the CLECs.

### 3. Retail

a. Prior to going into production mode on the replicated systems, Verizon will share with the Commission Staff and OCC:

i. the "Program Test Strategy" Plan to be used to review the replicated systems, and

ii. results of pre-production functionality tests on the customer-affecting systems that serve retail telecommunications customers showing that any severity level 1 failures (defined as full service denials) have been resolved, along with validation by an independent third party reviewer that the results are accurate.

b. Prior to Merger Close, Verizon will share with Commission Staff and OCC production results of the customer-affecting systems that serve retail telecommunications customers showing that the results for the following measures during production mode (a time period of not less than 60 days) are not materially less favorable than benchmark data from the 12 months prior to production mode on the replicated systems (taking into account exogenous factors, such as extreme, unique or unforeseeable weather conditions or other natural disasters), along with validation by an independent third party reviewer that the results are accurate:

i. Installation Orders for Basic Service Completed  
Within 5 Business Days;

ii. Out-of-Service in 24 Hours;

iii. Service Affecting in 48 Hours; and

iv. Billing error complaints.

Frontier will include this data in the review that it does to validate and confirm that the replicated systems are fully operational prior to closing. Frontier will provide Staff and OCC with notice after it finalizes its validation and confirmation and not less than 5 business days prior to closing.

#### 4. Reporting

For 3 years following Merger Close, Frontier will provide to the Staff and OCC quarterly reports concerning material business and repair office operations and billing systems issues, and any consolidation of network operations changes and staffing levels.

#### d. Testimonial Commitments

The Joint Applicants validate and ratify any and all undertakings expressed in the prefiled testimony of their witnesses in this proceeding.

#### 5. Miscellaneous

a. In the event there is a change in the law that substantially changes the Commission's jurisdiction over incumbent local exchange telephone companies, and specifically in the event of enactment of either H.B. 276 or S.B. 162, now pending before the 128<sup>th</sup> General Assembly (or such substitute bills thereof as may be introduced), Verizon North (subject to Section 3.c) and Frontier North agree that, unless specifically mandated otherwise by law, they will abide by all of the agreements and commitments made in this Stipulation, and will continue to apply customer credits in accordance with Ohio Administrative Code §4901:1-5-08 as in effect on the date this Stipulation is executed for the period defined in subsection 4(b)(iii).

b. The failure of any party to insist on the performance of any term or condition of this Stipulation and Recommendation or to exercise any right hereunder shall not be construed as a waiver of such term or condition or right.

c. The terms contained in this Stipulation constitute the entire agreement among the Stipulating Parties on the matters contained herein and there are no other agreements or writings on those matters except those referred to herein. This Stipulation may not be modified except in writing signed by all Stipulating Parties.

d. Frontier will work with the Commission Staff to identify any appropriate portions of this Stipulation which require a Frontier North Ohio filing at the Commission (including, but not limited to, tariffs) to implement this Stipulation.

e. The Stipulating Parties agree that this Stipulation is submitted for purposes of full and final settlement of all issues related to this proceeding, and is not to be deemed binding upon the Stipulating Parties in any other proceeding except as provided for elsewhere in this Stipulation. All settlement discussions related hereto are and shall be privileged and shall not be used in any manner, nor be admissible for any other purpose in connection with this proceeding or any other proceeding. All the matters set forth in this Stipulation are presented only in connection with this Stipulation and the Ohio merger proceeding, and are presented without prejudice to any position any of the Stipulating Parties, including without limitation the Commission Staff, may advance in other proceedings and any positions that they may take in

any other proceedings whether state or federal. Nothing herein limits the participation or position of the Commission in other proceedings whether state or federal.

f. Except as otherwise provided herein, the Stipulating Parties represent that, in the interest of expediting this proceeding, they shall not file an application for rehearing or appeal from a decision of the Commission.

g. This Stipulation shall inure to the benefit of and be binding upon the successors and assigns of the Stipulating Parties.

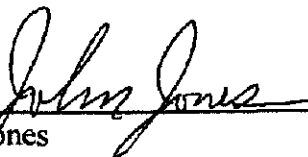
h. Each of the undersigned Supporting Stipulating Parties hereby stipulates, agrees, and represents that it is authorized to enter into this Stipulation and Recommendation this 7<sup>th</sup> day of December, 2009.

AGREED TO AND EXECUTED BY:

ON BEHALF OF FRONTIER  
COMMUNICATIONS CORPORATION,  
NEW COMMUNICATIONS HOLDINGS,  
INC., AND VERIZON COMMUNICATIONS  
INC.

  
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ON BEHALF OF THE STAFF OF THE  
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ON BEHALF OF THE OFFICE OF THE  
OHIO CONSUMERS' COUNSEL

A handwritten signature in black ink, appearing to read "Terry L. Etter", is written over a horizontal line.

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