

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1431

In the Matter of)	
)	THE CITIZENS' UTILITY BOARD
Verizon Communications, Inc., and Frontier)	OF OREGON'S RESPONSE IN OPPOSITION
Communications Corporation)	TO THE MOTION FOR AN ORDER
)	DECLINING JURISDICTION
)	
Joint Application for an Order Declining to)	
Assert Jurisdiction, or, in the Alternative, to)	
Approve the Indirect Transfer of Control of)	
Verizon Northwest, Inc.)	
)	
)	

I. Introduction.

On May 29th, 2009, Verizon Communications Inc. and Frontier Communications Corporation filed a joint application¹ with the Oregon Public Utility Commission (OPUC) requesting that the OPUC decline to assert jurisdiction over “the indirect transfer of control”² of Verizon Northwest Inc. from Verizon to Frontier (this transaction was also referred to as a proposed “parent–company merger”³ and simply as a “merger”⁴) or in the alternative, to approve the application.⁵ This joint application was the result of an agreement between New Communications Holdings, Inc. (NCH), Verizon, and Frontier. Frontier is proposing to merge with Verizon Northwest, a wholly-owned subsidiary of Verizon Communications. CUB is attaching a simple hand-drawn schematic which demonstrates the above set

¹ Joint Application of Verizon Communications Inc. and Frontier Communications Corporation for an Order Declining to Assert Jurisdiction Over, or, in the Alternative, Approving the Indirect Transfer of Control of Verizon Northwest Inc.

² *Id.* at 1.

³ *Id.* at 2, section 1.

⁴ See Exhibit 1 to the Application, title page and page 29 Sections 2.2 and 2.4.

⁵ *Joint Application* at 1.

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THE MOTION FOR AN ORDER DECLINING JURISDICTION

forth relationships in an easier to read format. See attached Exhibit 1. Verbally, the transaction is outlined as follows:

- On May 13, 2009, Frontier, Verizon, and NCH entered into an Agreement and Plan of Merger under which Frontier issued its stock in exchange for NCH stock held by Verizon shareholders and also acquired approximately 4.8 million access lines (and certain related assets currently owned by subsidiaries of Verizon).⁶
- Also on May 13, 2009, Verizon and NCH entered into a Distribution Agreement (attached as Exhibit 2 to the Application).⁷
- The Merger Agreement and Distribution Agreement are designed to: (a) Establish a separate entity (NCH) as the holding company for Verizon's local exchange, long distance and related business activities in the acquired Territory described above;⁸ (b) spin-off the stock of that new entity to Verizon shareholders; and then (c) immediately merge the new entity into Frontier.⁹
- While NCH is currently a subsidiary of Verizon, after the transaction it will be merged into Frontier. Frontier will be the surviving entity, and will then own and control the Verizon assets being transferred to it through the transaction at issue as well as its current properties in the state.
- NCH has two newly formed wholly-owned subsidiaries:
 - 1) New Communications ILEC Holdings, Inc. (NCIH): Owns the stock of Verizon Northwest and the other operating ILECs in the affected states.
 - 2) NewLD: Holds the accounts receivables, liabilities, and customer relationships related to the long distance operations (and other operations) in Oregon and the other affected states.
- Verizon will transfer the stock of Verizon Northwest and the other affected ILECs to NCIH.
- The stock of NCH will then be distributed to Verizon shareholders and
- Subsequently, NCH will be merged into Frontier with Frontier being the surviving holding company.
- Frontier will own all of the stock of NCH's subsidiaries, NCIH and NewLD.¹⁰ At end of the transaction, the former Verizon Northwest will be a wholly-owned, indirect subsidiary of Frontier and provide local exchange service in the service territory of Verizon Northwest. Frontier also will own and control NewLD, which will provide long distance services in Oregon.¹¹

Having created the above scheme, on June 23, 2009 Verizon Communications Inc. and Frontier

Communications Corporation filed a Joint Motion For An Order Declining Jurisdiction in the above

⁶ *Joint Application*, at 5. UM 1431 McCallion/6 lines 1-6.

⁷ UM 1431 McCallion/6 lines 6-8.

⁸ The Agreement and Plan of Merger refers to the entity otherwise known as "NCH" as "SPINCO" – See Exhibit 1 page 1, paragraph 1. CUB thinks this is an appropriate acronym for an entity whose job is to spin off stock in an apparent attempt to try and hide the true nature of the transaction.

⁹ *Id.* at 6. UM 1431 McCallion/6 lines 10-14.

¹⁰ *Id.* at 7.

¹¹ *Id.*

entitled matter. Thereafter Direct Testimony was filed in this matter. That testimony states:

[t]he proposed transactions will ultimately, through a series of internal restructurings and stock transfers, lead to the transfer of Verizon's local exchange networks . . . to Frontier. In addition to acquiring Verizon's local exchange business in these areas, Frontier will also acquire the customer relationships for long distance, high speed Internet, and where provided, wireline video and broadband data (*i.e.* FIOS) services provided in these areas.¹²

The Citizens' Utility Board of Oregon, viewing this transaction as akin to a magician's shell game or Three Card Monte, designed and implemented to try and avoid assertion of jurisdiction by State PUCs over these transactions, sets forth its opposition to the granting of the requested order. It is CUB's opinion, contrary to that of the moving parties, that this is exactly the kind of "indirect" transaction that ORS 759.375 and ORS 759.380 were designed to cover. CUB, therefore, respectfully requests that the Commission not enter the order requested by the moving parties and instead retain jurisdiction over this matter.

II. Argument.

1. ORS 759.375 is applicable, on its face, to the Verizon/Frontier transaction.

Verizon/Frontier argue that ORS 759.375 is not applicable to their transaction because Verizon Northwest and Frontier will not be merged or consolidated. They then argue that the Commission does not therefore have jurisdiction over their transaction. CUB begs to differ. The applicable language in ORS 759.375 states as follows:

759.375 Approval prior to sale, mortgage or disposal of operative utility property. (1) *A telecommunications utility doing business in Oregon shall not, without first obtaining the Public Utility Commission's approval of such transaction:*

(a) *Sell, lease, assign or otherwise dispose of the whole of the property of such telecommunications utility necessary or useful in the performance of its duties to the public or any part thereof of a value in excess of \$100,000, or sell, lease, assign or otherwise dispose of any franchise, permit or right to maintain and operate such telecommunications utility or telecommunications utility property, or perform any service as a*

¹² UM 1431/FTR/100 McCarthy/12 at lines 8-17.

telecommunications utility;

(b) Mortgage or otherwise encumber the whole or any part of the property of such telecommunications utility necessary or useful in the performance of its duties to the public, including any franchise, permit or right to maintain and operate such telecommunications utility or telecommunications utility property, or perform any service as a telecommunications utility; or

(c) *By any means whatsoever, directly or indirectly, merge or consolidate any of its lines, plant, system or other property whatsoever, or franchise or permit to maintain or operate any telecommunications utility property, or perform any service as a telecommunications utility, or any part thereof, with any other public utility or telecommunications utility.*

(2) A telecommunications utility that sells, leases, assigns or otherwise disposes of the whole of the property of such telecommunications utility necessary or useful in the performance of its duties to the public or any part thereof of a value in excess of \$25,000, but less than \$100,000, shall notify the commission of the sale within 60 days following the date of the sale.

(3) Every sale, lease, assignment, mortgage, disposition, encumbrance, merger or consolidation subject to subsection (1) of this section made other than in accordance with the order of the commission authorizing the same is void.

(4) This section does not prohibit or invalidate the sale, lease or other disposition by any telecommunications utility of property which is not necessary or useful in the performance of its duties to the public. [1987 c.447 §41; 1999 c.530 §2] (*emphasis added*)

Few statutes can ever have been written so clearly or so broadly. Subsection (1)(a) states “sell, lease, assign or otherwise dispose of”. There can be no legitimate quibble with language such as “or otherwise dispose of”. Subsection (1)(c) provides “by any means whatsoever”. It also provides “directly or indirectly” and then states “merge or consolidate any of its lines, plant, system or other property whatsoever”. If a telecommunications company doing business in Oregon sells or otherwise disposes of, all or any part of its property in excess of \$100,000 or merges or consolidates any part of its property whatsoever, it must first obtain the Commission’s approval of the transaction.

The Verizon/Frontier transaction, whether considered a sale, assignment, or a disposition of some other kind, clearly has a value in excess of \$100,000. *See Fn. 14 and 15 infra*. Whether the merger is a

parent-company merger or some other kind of merger is irrelevant.¹³ What the statute clearly intends is that the name of the transaction and even the type of transaction are irrelevant what is relevant is whether a large piece of telecommunications business changes hands either directly or indirectly.

The statute on its face requires that the Commission take jurisdiction over the Verizon/Frontier transaction.

2. ORS 759.380 on its face is applicable to the Verizon/Frontier transaction.

Verizon/Frontier argue that ORS 759.380 is not applicable to their transaction and that the Commission does not, therefore, have jurisdiction over their transaction. CUB again begs to differ. The applicable language in ORS 759.380 states as follows:

759.380 Purchase of stock or property of another utility. (1) No telecommunications utility shall, *directly or indirectly, purchase, acquire or become the owner of any of the stocks or bonds or property utilized for utility purposes and having a value in excess of \$10,000 of any other public utility or telecommunications utility unless authorized to do so by the Public Utility Commission.*

(2) Every contract by any telecommunications utility for the purchase, acquisition, assignment or *transfer* to it of any of the stock of any other telecommunications utility *by or through any person, partnership or corporation* without the approval of the commission shall be void and of no effect, and no such transfer or assignment of such stock upon the books of the corporation pursuant to any such contract is effective for any purpose. [1987 c.447 §42] (*emphasis added*)

Verizon/Frontier refer frequently in their testimony to the transfer of stock. This transfer clearly occurs

¹³ The statute uses only the term "merger" without definition and corporate mergers are defined in Blacks Law Dictionary Fifth Edition as:

The absorption of one company by another, latter retaining its own name and identity and acquiring assets, liabilities, franchises, and powers of former, and absorbed company ceasing to exist as separate business entity. . .It differs from a consolidation wherein all the corporations terminate their existence and become parties to a new one.

And in Merriam Webster as:

law : the absorption of an estate, a contract, or an interest in another, of a minor offense in a greater, or of a cause of action into a judgment² a: the act or process of merging b: absorption by a corporation of one or more others ; *also* : any of various methods of combining two or more organizations (as business concerns)

“indirectly” – a new company (NCH) was formed with two subsidiaries (NCIH and NewLD) in order to complete an “indirect” stock transfer between Frontier and Verizon. *See Exhibit 1.* The statute, set forth above, does not limit how a utility becomes the owner of “any of the stocks or bonds or property utilized for utility purposes and having a value in excess of \$10,000 of any other public utility”. It just states that if a utility does become the owner of another utilities’ stock, and the transfer is worth more than \$10,000, then the Commission has jurisdiction over the transaction.

Simply put, the transaction -- Verizon to NCIH transfer of Verizon NW stock; Frontier to NCH transfer of stock; NCH to Verizon transfer of stock; and Frontier received transfer of stock from NCH -- is a shell game or Three Card Monte. The transaction clearly has a value much greater than \$10,000.^{14 15} The Commission has the statutory right to assert jurisdiction over a transaction of this nature entered into by a company doing business in Oregon.

¹⁴ In its May 13, 2009 United States Securities and Exchange Form 8-K filing Verizon reported on the entire nation-wide transaction and stated the following:

Upon the closing of the merger, assuming a Frontier stock price of \$7.75 per share and no closing adjustments, Verizon stockholders will receive one share of Frontier stock for approximately every 4.2 shares of Verizon stock held as of the record date and will own approximately 68 percent of Frontier, and current Frontier stockholders will own approximately 32 percent. Verizon will not own any shares in Frontier after the merger. The number of Frontier shares to be received by Verizon stockholders is subject to a collar mechanism and certain other possible closing adjustments. The exchange ratio will only be definitively established immediately prior to the closing and will be determined based upon the trading price of Frontier common stock during a pre-closing measuring period and based upon the total number of Verizon shares outstanding at that time. Both the spin-off and merger are expected to qualify as tax-free transactions, except to the extent that cash is paid to Verizon stockholders in lieu of fractional shares.

The total value to be received by Verizon and its stockholders in exchange for these operations will be approximately \$8.6 billion. Verizon stockholders will receive approximately \$5.3 billion of Frontier common stock in the merger, assuming current share prices and no closing adjustments. Verizon will receive approximately \$3.3 billion in value through a combination of cash distributions to Verizon, debt securities issued to Verizon prior to the spin-off and assumption of certain debt previously issued by Verizon’s telephone company subsidiaries. Verizon may exchange these newly issued debt securities for certain debt that was previously issued by Verizon, which would have the effect of reducing Verizon’s then-outstanding debt on its balance sheet.

The complete document is attached as Exhibit 2.

¹⁵ In its electronic response to DR 31 Frontier included certain non-confidential material. Among this material was Verizon Attachment 1 (OR-PUC-Set1VZ31; 41-Attach1-Northwest financial statements as of Dec2008&2007.pdf). The complete document is attached as Exhibit 3. At page six of that document Common Stock of Verizon NW is listed for the end of 2008 as having a value of \$448 million dollars.

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3. Legislative History Analysis supports that ORS 759.375 is applicable to the Verizon/Frontier transaction.

Although CUB does not believe that there is any ambiguity in the above cited statutes¹⁶ and does not believe that the Commission needs, therefore, to be in the business of “interpret[ing] that which has no need of interpretation”¹⁷, CUB recognizes the need to rebut moving counsel’s arguments.

Legislative History Analysis supports the view that ORS 759.375 is applicable to the Verizon Northwest/Frontier transaction. The Commission, if presented with an issue of statutory construction must apply “the principles set out in *State v. Gaines*, 346 Or 160, 206 P3d 1042 (2009), and *PGE v. Bureau of Labor and Industries*, 317 Or 606, 859 P2d 1143 (1993).” That is, the Commission should “attempt to determine the meaning of the statute most likely intended by the legislature, examining the text in context along with any legislative history offered by the parties and, if necessary, relevant canons of construction.”¹⁸

The statutes at issue were developed from the ORS 757 energy statutes.¹⁹ In the Staff Measure Analysis for HB 3072 A (1987) it was noted that “[w]ith federal deregulation of the telecommunications industry and increased competition, Oregon statutes need to be revised to address PUC regulation of telecommunication utilities.” In the Function and Purpose section of the Staff Measure Analysis it was further noted that “HB 3072 creates a separate ORS chapter for the regulation of telecommunications utilities to become effective July 1, 1989.” Review of today’s ORS 757.480 and 757.485 provides corroboration of this fact.

Review of the legislative history of ORS 757.480 and 757.485 shows that these statutes have remained largely unchanged since the original enactment into the 1933 Oregon Laws at chapter 441.

¹⁶ *State v. Young*, 74 Or. 399, 403, 145 P. 647, 649 (1915)(going on to state that “[i]t is only when the act in question is of doubtful or ambiguous meaning that the province of construction or interpretation begins.”)

¹⁷ *Id.*

¹⁸ *State v. Gaines*, 346 Or. 160, 171-172 (2009)

¹⁹ See Statute Review Subcommittee February 18, 1988 10:00 a.m. Hearing Room 354 Tapes 1,2 page 2

And, since that time the Commissioners have had the statutory authority to review public utility transactions where a utility “directly or indirectly, purchase[s], acquire[s], or becomes[s] the owner of any of the property, stock or bonds of any other public utility authorized to engage or engaged in the same or a similar business . . . unless authorized so to do by the Commissioner.” Also, “[e]very contract by any public utility for the purchase, acquisition, assignment or transfer to it of any of the stock of any other public utility by or through any person, partnership or corporation without the approval of the commissioner shall be void . . .”

The Commission’s flexing of its jurisdictional muscle is fully supported by the legislative history and, is to be encouraged.

4. Review of Oregon case law shows that the courts generally assume that the legislature knows how to draft laws to enact its desired policies – here it deliberately drafted a very broad and all-encompassing law.

Review of Oregon case law shows that the courts generally assume the legislature knew what it wanted to do, and knew how to make it happen, when writing statutes. Over and over again, the phrase “the legislature knows how to”, is repeated in case after case where one of the parties is attempting to say something to the effect that the legislature failed to include “X” in the statute and, therefore, it is not applicable to them. See for example: *State v. Lanig*, 154 Or. App. 665 (1998)(Moreover, when the statute is read in context with ORS 813.100, it is clear that the legislature knows how to write a statute to require the administration of chemical tests.); *Juvenile Dept. of Columbia Cty. v. White*, 83 Or. App 225 (1986)(“When the legislature has spoken in unambiguous terms, construction is neither necessary nor permitted. . . . The legislature knows how to write a statute to make it apply to persons 18 years of age or under.”); *Taylor v. Board of Parole and Post Prison Supervision*, 200 Or. Ap. 515, 115 P.3d 256 (2005)(As already described, the legislature knows how to impose such constraints when it wants to. By not doing so in this circumstance, the legislature undoubtedly intended the board to have the latitude it

needs to perform its varied and voluminous responsibilities in a world of limited resources and demands that may often outpace those of resources. We will not lightly tread on the latitude that the legislature has accorded the board.”)

Given that the legislature is generally determined by the courts to have known what it was doing and to have known what it hoped to achieve it is safe to assume in this case that the legislature intended to give the Commission very broad authority over telecommunication utility transactions in the State of Oregon.

5. UM 1416 Order No. 09-169 entered on May 11, 2009, sets the correct precedent for review of telecom transactions.

UM 1416 Order No. 09-169 entered on May 11, 2009, sets the correct precedent for review of telecom transactions. As stated by the Commission in that case:

The italicized statutory language “*By any means whatsoever, directly or indirectly*” is very broad. Because the transaction begins with three telecommunications utilities (ILECs) owned by two different companies and ends with all three ILECs being owned by a single parent CenturyTel, we conclude ORS 759.375(1)(c) applies to the merger transaction. In other words, the Embarq ILEC is properly viewed as “indirectly” merging with the CenturyTel ILECs through the stock swap of their respective parent holding companies. Indeed, in other jurisdictions, the companies have asserted that, as a result of the transaction, “indirect control of (the Embarq ILEC) will effectively transfer to CenturyTel, Inc.”

CUB believes that the Commission should apply the same underlying analysis to the facts in this case. Indeed CUB would go further and notes that in addition to ORS 759.375(1)(c) and ORS 759.380, ORS 759.375(1)(a) may also be applicable in this matter. *See earlier arguments.*

6. Following the interpretation of Verizon/Frontier renders ORS 759.375 and ORS 759.380 meaningless.

If the PUC were to adopt Verizon/Frontier’s proposed interpretations of ORS 759.375 and ORS 759.380, those statute would, essentially, be rendered meaningless. ORS 759.375 and ORS 759.380 were

enacted so that the PUC could oversee transactions between utilities, directly or indirectly, to ensure that the transactions would follow the “in the public interest, no harm” standard and not adversely impact Oregonians.²⁰ It would be impossible for the PUC to operate in the best interest of Oregon consumers if it did not have the means of assessing the impacts of utility mergers and more importantly, not having the power to strike down such a merger if found to be unacceptable. The Verizon/Frontier merger encompasses approximately 4.8 million access lines and certain related assets, and it certainly will have an impact of the Oregon consumers who live in Verizon Northwest service territory.

Verizon/Frontier’s proposed interpretation, of the relevant statutes, would effectively allow all corporations to always create a third corporation whose sole purpose is to facilitate and effectuate these kind of transactions, while leaving the original two corporations unmerged and thus out of the Commission’s jurisdiction. Allowing such an interpretation would set a precedent that would render ORS 759.375 and ORS 759.380 meaningless. This is unacceptable and clearly not the correct interpretation of ORS 759.375 and ORS 759.380, as exemplified by the PUC’s prior decision in UM 1416.

III. Conclusion.

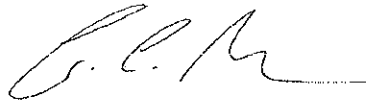
The statutes are clear on their face. Even were the statutes ambiguous, legislative history review demonstrates that the Commission has jurisdiction over the transaction at issue and that adopting the Verizon/Frontier interpretation of the statutes would render them meaningless. Given the above, CUB

²⁰ *Re: Joint Application for Approval of Merger between the two companies and their regulated subsidiaries*, Docket UM 1416, Order No. 09-169 at 3 (May 05, 2009).

respectfully requests that the Commission not enter the order requested by the moving parties and instead retain jurisdiction over this matter.

Dated this 8th day of July, 2009.

Respectfully submitted,

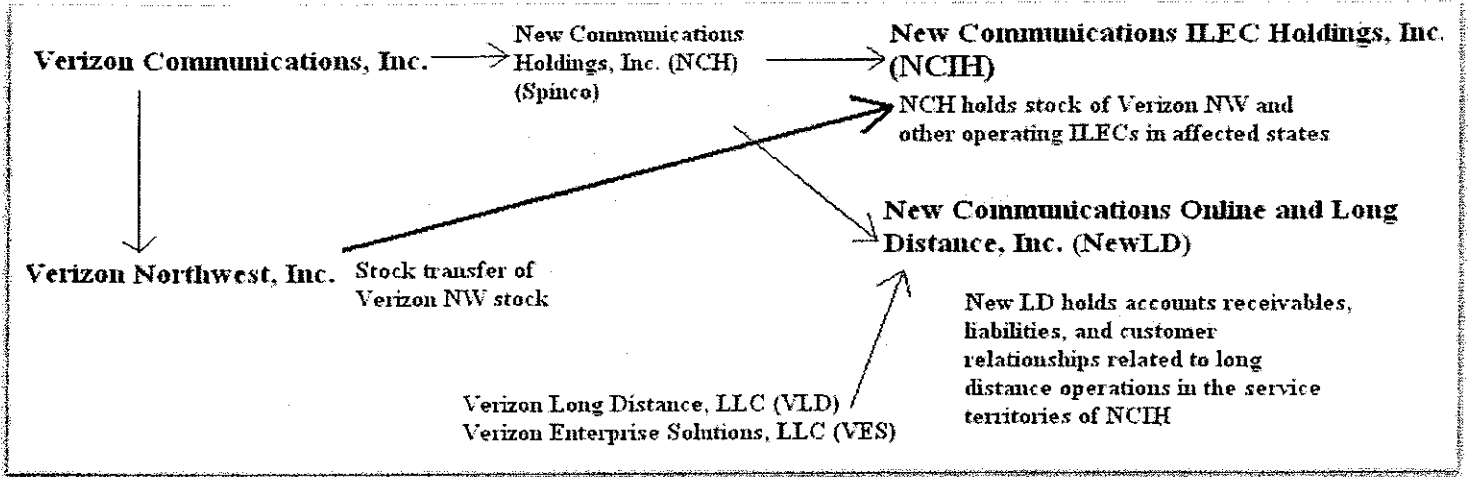


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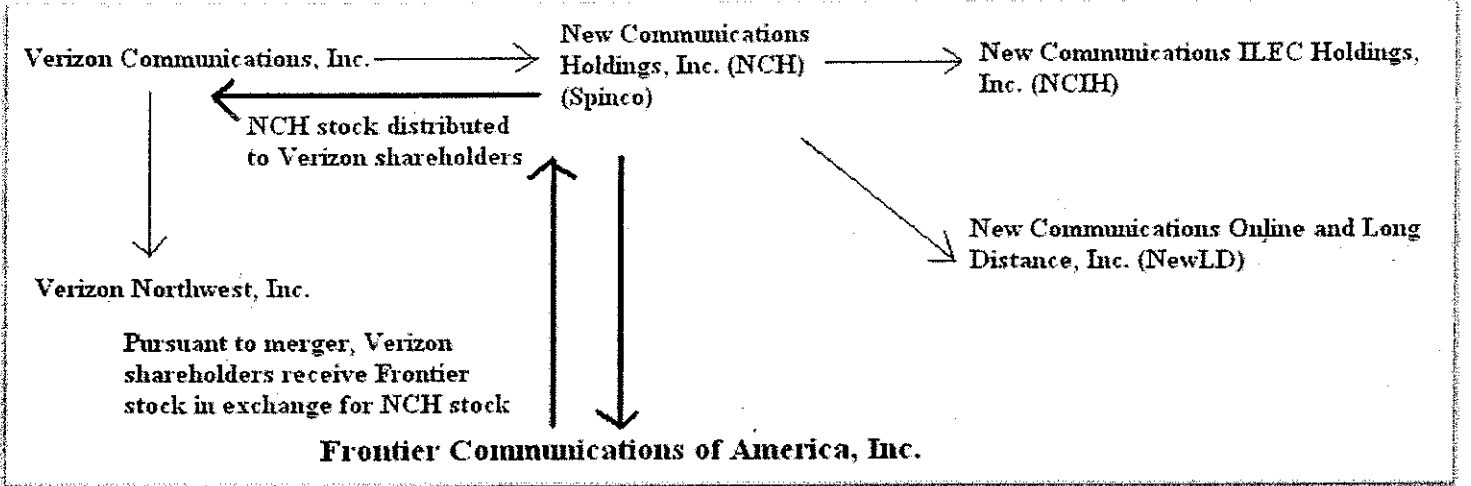
EXHIBIT 1:

Citizens' Utility Board's Rendition of the Transaction

1) Initial Step



2) Additional Stock Transfers



3) Final Result

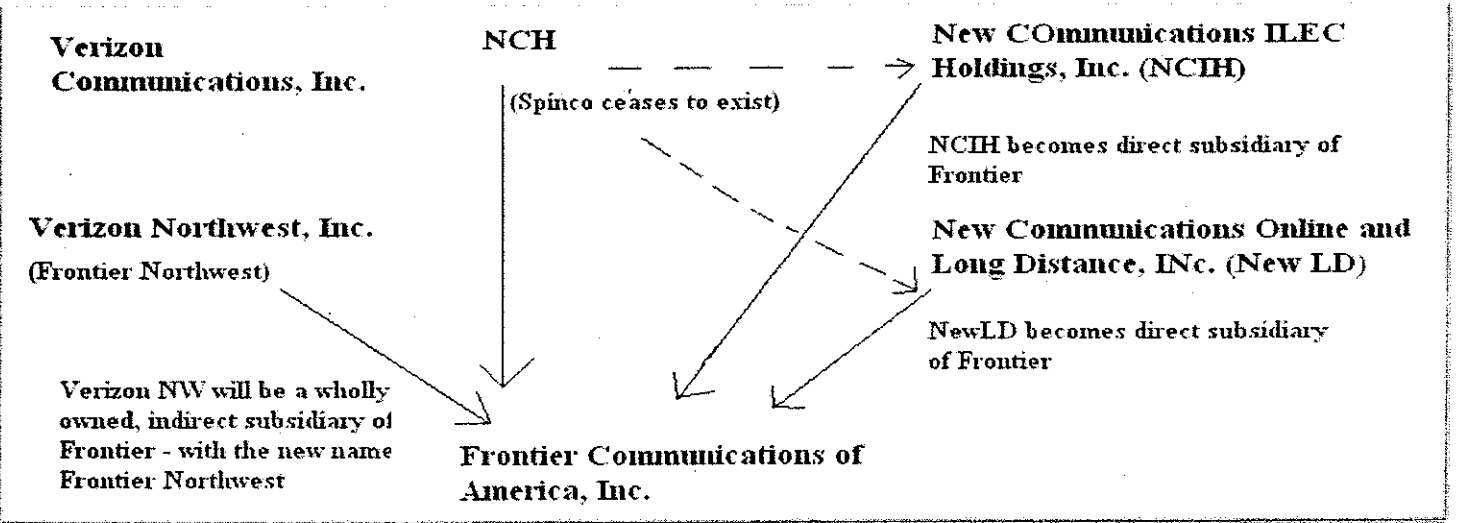


EXHIBIT 2

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

VERIZON COMMUNICATIONS INC.

UM 1431 THE CITIZENS' UTILITY BOARD OF OREGON'S RESPONSE IN OPPOSITION
TO THE MOTION FOR AN ORDER DECLINING JURISDICTION

EXHIBIT 2

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report: May 13, 2009
(Date of earliest event reported)

VERIZON COMMUNICATIONS INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

1-8606
(Commission File Number)

23-2259884
(I.R.S. Employer
Identification No.)

140 West Street
New York, New York
(Address of principal executive offices)

10007
(Zip Code)

Registrant's telephone number, including area code: (212) 395-1000

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

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- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17.CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement.

On May 13, 2009, Verizon Communications Inc. ("Verizon"), New Communications Holdings Inc., a wholly-owned subsidiary of Verizon ("Spinco"), and Frontier Communications Corporation ("Frontier") entered into an Agreement and Plan of Merger (the "Merger Agreement") and Verizon and Spinco entered into a Distribution Agreement (together with the Merger Agreement, the "Agreements") pursuant to which, following a series of transactions, Frontier will become the owner of Verizon's local exchange and related business assets in predominantly rural areas in 14 states.

The assets are located in Arizona, Idaho, Illinois, Indiana, Michigan, Nevada, North Carolina, Ohio, Oregon, South Carolina, Washington, West Virginia and Wisconsin, and also include a small number of exchanges in California, including those bordering Arizona, Nevada and Oregon (collectively, the "West Area"). The transaction includes Verizon's switched and special access lines in the West Area, as well as its fiber-to-the-premises assets, Internet service, and long-distance voice accounts that Verizon served in the West Area before the 2006 merger with MCI, Inc. (collectively, the "Transferred Assets").

As of December 31, 2008, Verizon's properties in the West Area served approximately 4.8 million local access lines; approximately 2.2 million long-distance customers; approximately 1.0 million high-speed data customers, including approximately 110,000 FiOS Internet customers; and approximately 69,000 FiOS TV customers. The transaction does not include the services, offerings or assets of Verizon Wireless, Verizon Business (former MCI, Inc.), Federal Network Systems LLC, Verizon Network Integration Corp., Verizon Global Networks Inc., Verizon Federal Inc. or any other Verizon businesses in the West Area. Verizon Business is retaining contracts with its customers in these states and will purchase local exchange services from Frontier in order to serve these customers.

Subject to the terms and conditions of the Agreements, Verizon will transfer the Transferred Assets to entities owned by Spinco. Spinco will incur newly issued debt, and will then be spun off to Verizon's stockholders and immediately merged with and into Frontier. When the merger is completed, the companies conducting the West Area telephone and related business operations will be subsidiaries of Frontier, and approximately 11,000 current Verizon employees whose primary jobs are to support the Transferred Assets will continue as employees of the transferred business.

Upon the closing of the merger, assuming a Frontier stock price of \$7.75 per share and no closing adjustments, Verizon stockholders will receive one share of Frontier stock for approximately every 4.2 shares of Verizon stock held as of the record date and will own approximately 68 percent of Frontier, and current Frontier stockholders will own approximately 32 percent. Verizon will not own any shares in Frontier after the merger. The number of Frontier shares to be received by Verizon stockholders is subject to a collar mechanism and certain other possible closing adjustments. The exchange ratio will only be definitively established immediately prior to the closing and will be determined based upon the trading price of Frontier common stock during a pre-closing measuring period and based upon the total number of Verizon shares outstanding at that time. Both the spin-off and merger are expected to qualify as tax-free transactions, except to the extent that cash is paid to Verizon stockholders in lieu of fractional shares.

The total value to be received by Verizon and its stockholders in exchange for these operations will be approximately \$8.6 billion. Verizon stockholders will receive approximately \$5.3 billion of Frontier common stock in the merger, assuming current share prices and no closing adjustments. Verizon will receive approximately \$3.3

billion in value through a combination of cash distributions to Verizon, debt securities issued to Verizon prior to the spin-off and assumption of certain debt previously issued by Verizon's telephone company subsidiaries. Verizon may exchange these newly issued debt securities for certain debt that was previously issued by Verizon, which would have the effect of reducing Verizon's then-outstanding debt on its balance sheet.

Consummation of the transactions contemplated in the Agreements is subject to customary closing conditions, including: (i) approval by Frontier's stockholders; (ii) transfer of the Transferred Assets into Spinco; (iii) expiration or termination of the applicable Hart-Scott-Rodino waiting period and receipt of Federal Communications Commission, state commission and certain other regulatory approvals; (iv) absence of any law or order prohibiting the consummation of the transactions; (v) the obtaining of financing by Frontier consistent with certain terms, (vi) subject to certain exceptions, the accuracy of representations and warranties; and (vii) absence of a material adverse effect on Frontier or Spinco or their respective businesses.

The Merger Agreement contains certain termination rights for each party and further provides that, upon termination of the Merger Agreement under specified circumstances, Frontier may be required to pay Verizon a termination fee of \$80 million.

Item 7.01. Regulation FD Disclosure.

Attached as Exhibit 99.1 hereto is a press release dated May 13, 2009 issued by Verizon Communications Inc. announcing the execution of the Agreements referred to in Item 1.01 of this Report. Attached as Exhibit 99.2 hereto are slides from a presentation to be given to investors by Ivan G. Seidenberg, Verizon's Chairman and Chief Executive Officer, and John F. Killian, Verizon's Executive Vice President and Chief Financial Officer, on May 13, 2009.

The information provided pursuant to this Item 7.01 is "furnished" and shall not be deemed to be "filed" with the Securities and Exchange Commission or incorporated by reference in any filing under the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in any such filings.

NOTE: This report contains statements about expected future events and financial results that are forward-looking and subject to risks and uncertainties. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. The following important factors could affect future results and could cause those results to differ materially from those expressed in the forward-looking statements: the effects of adverse conditions in the U.S. and international economies; the effects of competition in our markets; materially adverse changes in labor matters, including workforce levels and labor negotiations, and any resulting financial and/or operational impact, in the markets served by us or by companies in which we have substantial investments; the effect of material changes in available technology; any disruption of our suppliers' provisioning of critical products or services; significant increases in benefit plan costs or lower investment returns on plan assets; the impact of natural or man-made disasters or existing or future litigation and any resulting financial impact not covered by insurance; technology substitution; an adverse change in the ratings afforded our debt securities by nationally accredited ratings organizations or adverse conditions in the credit markets impacting the cost, including interest rates, and/or availability of financing; any changes in the regulatory environments in which we operate, including any loss of or inability to renew wireless licenses, and the final results of federal and state regulatory proceedings and judicial review of those results; the timing, scope and financial impact of our deployment of fiber-to-the-premises broadband technology; changes in our accounting assumptions that regulatory agencies, including the SEC, may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings; our ability to successfully integrate Alltel Corporation into Verizon Wireless's business and achieve anticipated benefits of the acquisition; and the inability to implement our business strategies.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Verizon Communications Inc. Press Release, dated May 13, 2009
99.2	Slides to be used in Investor Presentation on May 13, 2009

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Verizon Communications Inc.
(Registrant)

Date: May 13, 2009

/s/ Marianne Drost
Marianne Drost
Senior Vice President, Deputy General
Counsel and Corporate Secretary

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
99.1	Verizon Communications Inc. Press Release, dated May 13, 2009
99.2	Slides to be used in Investor Presentation on May 13, 2009

Exhibit 3

ELECTRONIC RESPONSE TO DR 31 NON –CONFIDENTIAL MATERIAL

Verizon Attachment 1 (OR-PUC-Set1VZ31; 41-Attach1-Northwest financial statements as of
Dec2008&2007.pdf – PAGE 6

Verizon Northwest Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREOWNER'S INVESTMENT

Years Ended December 31,	(dollars in millions)	
	2008	2007
Common Stock		
Balance at beginning of year	\$ 448	\$ 448
Balance at end of year	448	448
Contributed Capital		
Balance at beginning of year	107	106
Tax Benefit on stock options	—	1
Balance at end of year	107	107
Reinvested Earnings		
Balance at beginning of year	232	155
Net income	142	152
Dividends declared	(55)	(75)
Other	(1)	—
Balance at end of year	318	232
Total Shareowner's Investment	\$ 873	\$ 787

See Notes to Consolidated Financial Statements.

UM 1431 – CERTIFICATE OF SERVICE

I hereby certify that, on this 8th day of July, 2009, I served the foregoing **RESPONSE IN OPPOSITION TO THE MOTION FOR AN ORDER DECLINING JURISDICTION OF THE CITIZENS' UTILITY BOARD OF OREGON** in docket UM 1431 upon the PUC Service List by email and, where paper service is not waived, by U.S. mail, postage prepaid, and upon the Commission by email and by sending the original and 1 copy by U.S. mail, postage prepaid, to the Commission's Salem offices.

(W denotes waiver of paper service)

(C denotes service of Confidential material authorized)

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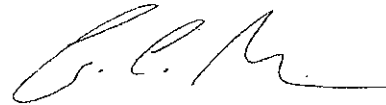
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UM 1431- Certificate of Service RESPONSE IN OPPOSITION TO THE MOTION FOR AN ORDER DECLINING JURISDICTION OF THE CITIZENS' UTILITY BOARD OF OREGON

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