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MAY 19 2010

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Public Utility Commission of Oregon  
Administrative Hearings Division

Joint Application of Verizon California Inc. d/b/a )  
Verizon Nevada ("Verizon"), Frontier Communications )  
Corporation, and New Communications of the )  
Southwest ("New Communications") for approval of a )  
transfer of control, the transfer of certificate CPC 2 Sub )  
10 from Verizon to New Communications, and the )  
designation of New Communications as an Eligible )  
Telecommunications Carrier. )

Docket No. 09-06005

At a general session of the Public Utilities  
Commission of Nevada, held at its offices  
on October 28, 2009.

PRESENT: Chairman Sam A. Thompson  
Commissioner Jo Ann P. Kelly  
Commissioner Rebecca D. Wagner  
Assistant Commission Secretary Nancy Krassner

ORDER

The Public Utilities Commission of Nevada ("Commission") makes the following  
findings of fact and conclusions of law:

1. On June 4, 2009, Verizon California Inc. d/b/a Verizon Nevada ("Verizon"),  
Frontier Communications Corporation ("Frontier"), and New Communications of the Southwest  
Inc. ("NC Southwest"), to be renamed Frontier Communications of the Southwest ("Frontier  
Southwest") following the closing, (collectively "the Applicants"), filed a Joint Application with  
the Public Utilities Commission of Nevada ("Commission") for approval of a transfer of control,  
the transfer of Certificate of Public Convenience and Necessity ("CPC") 2 Sub 10 from Verizon  
to NC Southwest, and the designation of NC Southwest as an Eligible Telecommunications  
Carrier ("ETC"). This matter was designated as Docket No. 09-06005.

2. The Joint Application was filed pursuant to the Nevada Revised Statutes ("NRS")

DOCKETED

DOCUMENT REVIEW AND APPROVAL ROUTING	
DRAFTED BY:	Jing Loug
FINAL DRAFT ON:	10/28/09 AT 11:00 AM
DEVELOPER APPROVED BY:	DATE
<input type="checkbox"/> ADMIN / ASST.	
<input checked="" type="checkbox"/> QA / COUNSEL	LAB 10/28/09
<input type="checkbox"/> SALES / ASST SEC.	
<input type="checkbox"/> OTHER ( )	

and the Nevada Administrative Code ("NAC"), Chapters 703 and 704, including but not limited to, NRS 704.329 and NRS 704.410.

3. On June 22, 2009, the Commission issued a Notice of Joint Application and Notice of Prehearing Conference.

4. The Regulatory Operations Staff of the Commission ("Staff") participates in this Docket as a matter of right pursuant to NRS 703.301.

5. On July 17, 2009, a Prehearing Conference was held, attended by the Applicants and Staff (collectively "the Parties"), and a procedural schedule was established.

6. On July 29, 2009, the Commission issued a Notice of Hearing and the Presiding Officer issued a Procedural Order adopting a hearing and testimony schedule. On July 31, 2009, the Presiding Officer issued a Revised Procedural Order.

7. On August 21, 2009, the Commission held a hearing. During the hearing the Parties requested an amended procedural schedule. The hearing was continued until October 20, 2009, provided a Stipulation had been reached by 5:00 p.m. on October 19, 2009. If no Stipulation had been reached by that time, the Parties agreed the hearing would be continued until November 10, 2009, with pre-filed testimony filed by the parties filed prior to hearing according to a schedule established at the hearing.

8. On September 1, 2009, the Presiding Officer issued Procedural Order No. 2, reflecting the amended procedural schedule agreed to at the hearing.

9. On October 20, 2009, the Commission held a continued hearing, and the Parties provided a status report to the Commission. Though a Stipulation had not been filed October 19, 2009, the Parties requested that the hearing be continued until October 23, 2009.

10. On October 21, 2009, the Parties filed a Stipulation resolving all matters in the proceeding.

11. On October 23, 2009, the Commission held a continued hearing, at which time the Stipulation was presented to the Presiding Officer and the Application and Stipulation were marked as exhibits and moved into evidence.

12. The Commission finds that the Stipulation, attached hereto and incorporated herein as Attachment 1, is a consensus resolution of the issues pursuant to the negotiations of the Parties, and as such, is a reasonable recommendation and resolution of the issues in this proceeding.

13. The Commission finds that the Stipulation is in the public interest to grant the Application as modified by the Stipulation.

THEREFORE, based on the foregoing findings of fact and conclusions of law it is hereby ORDERED that:

1. The Stipulation filed in Docket No. 09-06005 on October 21, 2009, attached hereto and incorporated as Attachment 1, is ACCEPTED.

2. The Joint Application of Verizon California Inc. d/b/a Verizon Nevada, Frontier Communications Corporation, and New Communications of the Southwest Inc., (to be renamed Frontier Communications of the Southwest following the closing), for approval of a transfer of control, the transfer of Certificate of Public Convenience and Necessity 2 Sub 10 from Verizon to New Communications of the Southwest, Inc., and the designation of New Communications of the Southwest, Inc. as an Eligible Telecommunications Carrier is GRANTED in accordance with the Stipulation.

3. The Commission Secretary shall ISSUE Certificate of Public Convenience and Necessity 2 Sub 11 to New Communications of the Southwest, Inc., which shall cancel and supersede Certificate of Public Convenience and Necessity 2 Sub 10.

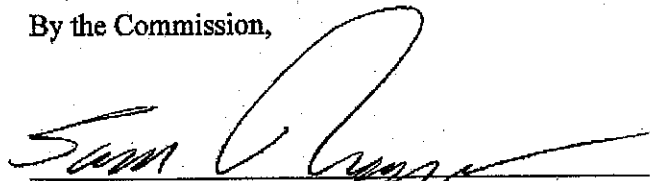
4. Pursuant to NAC 704.680461 New Communications of the Southwest, Inc. is hereby designated as an Eligible Telecommunications Carrier in Nevada.

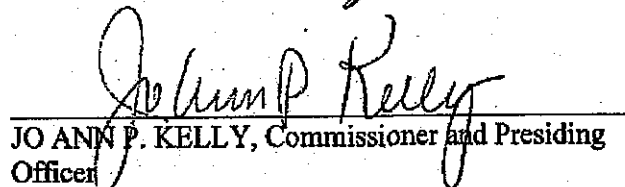
5. New Communications of the Southwest, Inc. shall adopt the existing tariffs of Verizon California Inc. d/b/a Verizon Nevada.

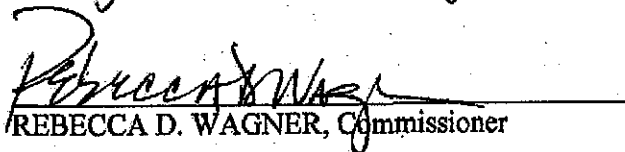
6. The provisions cited in Paragraphs 2 through 5, above, will be operative once the Commission has been notified by the Regulatory Operations Staff of the Commission that the transaction has closed.

7. The Commission may correct any errors that may have occurred in the drafting or issuance of this Order without further proceedings.

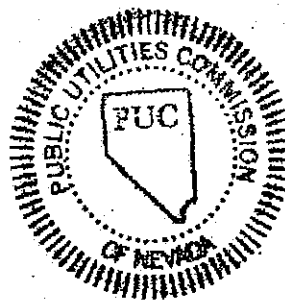
By the Commission,

  
\_\_\_\_\_  
SAM A. THOMPSON, Chairman

  
\_\_\_\_\_  
JO ANN P. KELLY, Commissioner and Presiding Officer

  
\_\_\_\_\_  
REBECCA D. WAGNER, Commissioner

Attest:   
\_\_\_\_\_  
NANCY KRASSNER  
Assistant Commission Secretary



Dated: Carson City, Nevada

11/16/09  
(SEAL)

# **ATTACHMENT 1**

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Joint Application of Verizon California Inc. d/b/a )  
Verizon Nevada ("Verizon"), Frontier )  
Communications Corporation, and New )  
Communications of the Southwest Inc. ("New )  
Communications") for approval of a transfer of )  
control, the transfer of certificate CPC 2 Sub 10 )  
from Verizon to New Communications, and the )  
designation of New Communications as an Eligible )  
Eligible Telecommunications Carrier. )

Docket No. 09-06005

STIPULATION

Verizon California Inc. d/b/a Verizon Nevada ("Verizon"), Frontier Communications Corporation ("Frontier"), and New Communications of the Southwest Inc. to be renamed Frontier Communications of the Southwest after closing (hereinafter "Frontier Southwest") (collectively "the Applicants"), and the Regulatory Operations Staff ("Staff") of the Public Utilities Commission ("Commission") (collectively "the Parties"), by and through their respective attorneys, hereby submit this Stipulation for Commission approval. This Stipulation is filed pursuant to Nevada Administrative Code ("NAC") 703.750 and 703.845 of the Commission's Rules of Practice and Procedure in full settlement of all matters at issue in the above-captioned proceeding. This Stipulation has been executed and is supported by each of the Parties to this proceeding.

RECITALS

WHEREAS, on May 13, 2009, Frontier, Verizon and New Communications Holdings, Inc. entered into an Agreement and Plan of Merger under which Frontier will acquire approximately 4.8 million access lines and certain related assets owned by subsidiaries of Verizon in various states including Nevada ("the Transaction"); and

WHEREAS, on June 4, 2009, the Applicants filed a Joint Application with the Commission ("Joint Application") for approval of a transfer of control, the transfer of Certificate of Public Convenience and Necessity ("CPC") 2 Sub 10 from Verizon to Frontier Southwest, and the designation of Frontier Southwest as an Eligible Telecommunications Carrier ("ETC"). This matter was designated as Docket No. 09-06005; and

WHEREAS, the Joint Application was filed pursuant to the Nevada Revised Statutes and NAC, Chapters 703 and 704, including but not limited to, NRS 704.329 and NRS 704.410; and

WHEREAS, on June 22, 2009, the Commission issued a Notice of Joint Application and Notice of Prehearing Conference; and

WHEREAS, on July 17, 2009, a Prehearing Conference was held and a procedural schedule was established at the Prehearing Conference; and

WHEREAS, on July 29, 2009, the Commission issued a Notice of Hearing and the Presiding Officer issued a Procedural Order adopting a hearing and testimony schedule; and

WHEREAS, on August 21, 2009, a hearing was held. During the hearing, the Parties requested an amended procedural schedule; and

WHEREAS, on September 1, 2009, Procedural Order No. 2 was issued by the Presiding Officer; and

WHEREAS, Staff has conducted extensive discovery involving numerous issues in Docket No. 09-06005; and

WHEREAS, on August 21, 2009, Frontier and Verizon filed the requisite Hart-Scott-Rodino notification with the Federal Trade Commission and the Department of Justice. After completing their review and determining that no enforcement action was necessary, the



agencies granted early termination of the 30-day waiting period on September 1, 2009 pursuant to Section 7A(b)(2) of the Clayton Act and Sections 803.10(b) and 803.11(c) of the Pre-merger Notification Rules; and

WHEREAS, on May 28 and June 30, 2009, Verizon and Frontier filed a series of applications pursuant to section 214 and 310(d) of the Communications Act of 1934, as amended, seeking Federal Communications Commission ("FCC") approval for various assignments and transfers of control of licenses and authorizations in connection with the proposed Transaction, and FCC review is underway; and

WHEREAS, during the course of Staff's investigation herein, Staff identified a need for: 1) the reporting requirement as set forth in Paragraph 6 below; and 2) the capital expenditures as set forth in Paragraphs 8 and 9 below. The reporting requirements will allow Staff to monitor the operations of Frontier and Frontier Southwest. Given the nature of the merged systems, the capital expenditures as outlined in Paragraphs 8 and 9 and the reporting requirements set forth in Paragraph 6 will assist in ensuring that the resulting service, after completion of the proposed transaction, will at a minimum be unchanged and therefore consistent with the public interest; and

WHEREAS, the Parties have agreed to resolve all issues pertaining to this docket in the manner described below; and

WHEREAS, the Parties submit that the Commission's approval of this Stipulation is in the public interest.

#### **AGREEMENT**

Based upon the mutual agreements reflected in this Stipulation, the Parties respectfully request that the Commission issue an order authorizing: (1) the transfer of control described in

the Joint Application subject to the conditions enumerated herein; (2) the issuance of a new CPC to Frontier Southwest; (3) the designation of Frontier Southwest as an ETC; and (4) the adoption of Verizon's existing tariff by Frontier Southwest.

1. Subject to the terms and conditions set forth in this Stipulation, Staff agrees to support the Joint Application in Docket No. 09-06005 filed by Verizon, Frontier and Frontier Southwest.

2. The Parties agree that neither Frontier Southwest nor Frontier shall file a general rate increase application that would result in rate increases becoming effective prior to the third anniversary of the closing of the transaction. Notwithstanding the 36-month restriction on rate changes, Frontier Southwest and Frontier will be permitted to request reasonable recovery for the impact of changes of law or an order issued by the FCC or this Commission that materially impact the operations of Frontier Southwest or Frontier. Nothing herein shall prevent a party from opposing such a request.

3. Neither Frontier Southwest nor Frontier will be restricted from filing an application to be regulated as a competitive supplier as provided in NRS 704.68869. If the Commission grants Frontier's or Frontier Southwest's application to be regulated as a competitive supplier, Frontier and Frontier Southwest nonetheless agree not to increase "basic network service" (as defined in Nevada Revised Statutes Sec. 704.006) rates for 36 months following the closing of the Transaction. Notwithstanding the 36-month restriction on rate changes, after December 31, 2011, Frontier Southwest and Frontier will be permitted to request reasonable recovery for the impact of change of law or an order issued by the Federal Communications Commission ("FCC") or this Commission that materially impact the operations

of Frontier Southwest or Frontier. Nothing herein shall prevent a party from opposing such a request.

4. Frontier and Frontier Southwest will not seek to recover from ratepayers any costs of the Transaction in any future request for an adjustment of their respective regulated local service rates. Examples of costs of the Transaction (which may or may not exist in this transaction) are any indemnification of Verizon shareholders for Transaction-related income tax liability, acquisition premium, goodwill, or customer lists recorded in the accounting records of Frontier or Frontier Southwest and costs recorded on the books of Frontier or Frontier Southwest including: Transaction application costs; outside accounting fees; bank facility fees; broker/investment banker fees; outside consultant fees; attorneys' fees; severance/employee retention costs incurred during the first 36-months following the close of the Transaction; and any branding change costs. No Transaction costs will be included in rate base, amortized to regulated expenses, or deferred to future rate periods for recovery in regulated local service rates.

5. Frontier Southwest will provide a detailed listing of transferred assets showing, at the date of transfer, the net book value ("NVB") and income tax basis of each class of assets, and the accumulated deferred income taxes associated with the difference. These values shall be carried forward for future ratemaking purposes and will be adjusted to reflect the passage of time or subsequent disposition.

6. Beginning with the first full quarter ending after the closing of the Transaction, and for each quarter thereafter through the quarter ending three (3) years after the closing of the Transaction ("Reporting Period"), Frontier Southwest and Frontier agrees to provide Staff a confidential report ("Service Quality Report") that sets forth the following: Voice Total Trouble Reports per 100 Access Lines; Voice Percentage Commitment Met-Service

Orders; Voice Average Service Order Completion Interval (Days); Voice Average Out of Service Repair Completion Intervals (Hours); Number of Commission Complaints per 10,000 lines; Business Office Answer Time; and Voice Percentage Trouble Cleared Within 24 Hours. This Service Quality Report shall be provided no later than 30 business days after the end of each quarter during the Reporting Period. If Staff believes that there are service quality deficiencies, it will first provide written notice and discuss them with Frontier and Frontier Southwest and then Staff may petition the Commission to investigate the alleged service quality deficiencies in an expedited manner.

7. The Parties jointly recommend that the Commission approve the proposed Transaction between Verizon and Frontier subject to the following conditions:

a. Frontier and Verizon will provide the Commission with a report providing notice of the terms of each new debt issuance of approximately \$3.3 billion associated with financing of this Transaction by New Communications Holdings Inc. The report will be provided within seven (7) days after the date of the consummation of such financing or debt issuance and state: the principal amount, maturity date, optional redemption terms, yield, subordination ranking, guarantors, covenants, change of control conditions, and method of distribution.

b. Frontier and Frontier Southwest acknowledge that Frontier and Frontier Southwest will continue to provide the Commission and Staff access to all books, records, accounts, documents and data, necessary for the Commission and Staff to perform their respective statutory duties.

c. Verizon and Frontier will provide Staff and file with the Commission a copy of the opinion of the independent valuation firm provided pursuant to the

terms of Section 8.1(k) of the Merger Agreement attesting to the solvency of Frontier on a pro forma basis immediately after the closing of the Transaction and reflecting the financing thereof. This solvency opinion shall be filed and served on Staff within one business day of its delivery to Verizon and Frontier.

d. Frontier agrees that if either Frontier Southwest or Frontier file a general rate case application seeking increases in rates after the time periods identified in paragraph 2, above, Frontier Southwest and Frontier will not seek to recover interest as part of that ratemaking proceeding in excess of 9.5% on the aggregate principal amount of the special cash payment debt financing of approximately \$3.3 billion associated with the Transaction.

e. New Communications Online and Long Distance Inc. will file an application for a certificate of public convenience and necessity to provide intrastate telecommunications service as a competitive supplier in Nevada.

8. Frontier Southwest commits it will make a minimum of \$10.5 million in capital expenditures associated with providing service in Nevada over the first three (3) years following closing of the Transaction. For purposes of this provision, capital expenditures include any direct or multi-jurisdictional investment or expenditures, including expenditures associated with the route redundancy project described in #9 below, facilities and equipment deployed outside of Nevada used to provide service in Nevada and the removal, relocation or movement of facilities associated with the use of the right of way. Frontier Southwest will provide an annual report by May 15th of each calendar year to the Commission showing capital expenditures, including any allocation of multi-jurisdictional investment or expenditures (including the methodology for the allocation) each year (a total of four reports) identifying the aggregate investment for the three year period following the closing.

9. Frontier Southwest agrees to: (i) provide a plan to Staff within twelve months after the closing of the Transaction which provides for emergency traffic and general traffic redundancy in Douglas County, Nevada; and (ii) within 24 months after closing, expend up to \$1.0 million to complete the project to provide route redundancy, including E911 service, in Douglas County, Nevada. The redundancy facilities should be a rebuttably presumptive minimum of OC-12 or equivalent of capacity, the reasonableness of which will be reviewed and analyzed in the plan to be provided in 9(i) above. The redundancy facilities will not include switching equipment. The redundancy facilities will be physically separated. If Frontier Southwest is unable to obtain any ROWs to complete either project above, Frontier Southwest will promptly notify Staff, and Frontier Southwest and Staff will discuss alternative completion dates for the project, if necessary.

10. Verizon shall either (i) obtain a private letter ruling from the Internal Revenue Service ("IRS") that the spin-off and merger will qualify as tax-free reorganizations for United States federal income tax purposes, and that no gain or loss will be recognized by Verizon, New Communications Holdings Inc., or their shareholders with respect to either transaction (except to the extent that New Communications Holdings Inc. shareholders receive cash in lieu of fractional shares in connection with the merger), or (ii) an opinion of counsel to such effect in a form reasonably satisfactory to Verizon. The Applicants will provide a copy of the IRS private letter ruling or opinion to Staff (provided that, if Applicants rely on an opinion to satisfy all or part of this condition, the Applicants will provide a draft opinion to Staff prior to closing of the Transaction and a final opinion upon closing).

11. The Parties agree to cooperate with each other in presenting this Stipulation for approval to the Commission and to take no action, direct or indirect, in opposition

to the request for approval of the Stipulation or to fail to take any such action which could reasonably be interpreted as an opposition to this Stipulation.

12. This Stipulation embodies the entire agreement among the Parties regarding the matters at issue in the above-captioned proceeding.

13. It is expressly understood that all the terms and conditions of this Stipulation are contingent upon the closing of the Transaction between Verizon and Frontier and will not require performance by Frontier, Verizon and Frontier Southwest, or any affiliate thereof, until the closing of the Transaction.

14. This Stipulation is made upon the express understanding that it constitutes a negotiated settlement. The provisions of this Stipulation are not severable and shall become effective only after the Commission has entered an Order approving this Stipulation without modification. In the event this Stipulation is not approved in whole by the Commission, it shall be deemed withdrawn, without prejudice to any testimony, claims, positions or contentions which may have been made in this proceeding by any party, and no part of this Stipulation shall be admissible in evidence or in any way described or discussed in any proceeding hereafter.

15. The provisions of this Stipulation shall not be construed as or deemed to be a precedent by any party, the Commission, and other state or federal governmental regulatory bodies with respect to any issue, principle, or interpretation or application of law and regulations, for any purpose or in connection with any proceeding before a court of law or any state or federal governmental regulatory body.

16. This Stipulation may be executed in counterparts and by facsimile or electronic signature.

REGULATORY OPERATIONS  
STAFF OF THE PUBLIC UTILITIES  
COMMISSION OF NEVADA

Dated: 10/21, 2009

By:   
ALAINA BURTENSHAW, ESQ.,  
Assistant Staff Counsel


VERIZON CALIFORNIA INC. d/b/a  
VERIZON NEVADA, and  
NEW COMMUNICATIONS OF THE  
SOUTHWEST INC.

Dated: 10/21, 2009

By:   
KAREN A. PETERSON, ESQ.

FRONTIER COMMUNICATIONS  
CORPORATION

Dated: 10/21, 2009

By:   
PATRICK M. ROSVALL, ESQ.



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**PROOF OF SERVICE**

I hereby certify that I have this day served the foregoing document upon all parties of record in this proceeding by electronic mail to the recipient's current electronic mail address and mailing a copy thereof, properly addressed to:

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DATED at Carson City, Nevada, on the 25<sup>th</sup> day of October, 2009.



\_\_\_\_\_  
An employee of the Public Utilities  
Commission of Nevada

