BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Application of Frontier Communications Corporation, Frontier California Inc. (U 1002 C), Citizens Telecommunications Company of California Inc. (U 1024 C), Frontier Communications of the Southwest Inc. (U 1026 C), Frontier Communications Online and Long Distance Inc. (U 7167 C), Frontier Communications of America, Inc. (U 5429 C) For Determination That Corporate Restructuring Is Exempt From or Compliant With Public Utilities Code Section 854.	A.20-05-010 (Filed May 22, 2020)

OPENING TESTIMONY OF
MARK D. NIELSEN

On Behalf Of

Frontier Communications Corporation
Frontier California Inc. (U 1002 C)
Citizens Telecommunications Company of California Inc. (U 1024 C)
Frontier Communications of the Southwest Inc. (U 1026 C)
Frontier Communications Online and Long Distance Inc. (U 7167 C)
Frontier Communications of America, Inc. (U 5429 C)

[PUBLIC VERSION]

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I. INTRODUCTION

Q. Please state your name, occupation and business address.

A. My name is Mark D. Nielsen. For the last six years, I have served as Chief Legal Officer of Frontier Communications Corporation ("Frontier"). In that capacity, I oversee the Company's legal, regulatory/government affairs and public relations functions, among other responsibilities. In 2019, my responsibilities were expanded to include the role of Chief Transaction Officer. In that capacity, I take the lead in guiding Frontier's balance sheet restructuring efforts. My business address is 401 Merritt 7, Norwalk, Connecticut 06851. I have 30 years of legal experience in both private practice and the public sector and am a member of the adjunct faculty at Columbia Law School.

Q. What is the purpose of your testimony?

A. My testimony supports the relief requested by the Applicants in this proceeding, including Frontier, Frontier California Inc. ("Frontier California"), Citizens Telecommunications Company of California Inc. ("CTC California"), Frontier Communications of the Southwest Inc. ("Frontier Southwest"), Frontier Communications Online and Long Distance Inc. ("Frontier LD"), and Frontier Communications of America, Inc. ("Frontier America") (collectively, the "California Operating Subsidiaries," and, together with Frontier, the "Applicants"). Based on the application that initiated this proceeding, which was filed on May 22, 2020 ("Application"), Applicants are requesting a determination from the

California Public Utilities Commission ("Commission") that Frontier's change in ultimate equity ownership and the related financial restructuring that will result in the elimination of more than $10 billion in fund debt ("Restructuring") are exempt from, or compliant with, the "transfer of control" requirements in Public Utilities Code Section 854. The proposed parent company ownership change and balance sheet Restructuring arise in the context of Applicants' voluntary petition for relief under chapter 11 of title 11 of the United States Code ("Chapter 11"), which was filed with the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") on April 14, 2020. The Chapter 11 case is being jointly administered for all Applicants under the caption *In re Frontier Communications Corporation, et al.,* Case No. 20-22476 (RDD). The Applicants have filed a pre-arranged Joint Plan of Reorganization of Frontier Communications Corporation and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code (the "Plan").[1]

Q. What support will your testimony provide for Applicants' requested relief?

A. My testimony will provide factual background regarding Frontier and its subsidiaries, including information regarding their operational history and their objectives in pursuing a Chapter 11 restructuring. I will also demonstrate that an exemption is appropriate from a full "transfer of control" review, as permitted under Public Utilities Code Section 853(b). An extensive review of this matter is not

[1] The Plan was attached as Exhibit C to the Application. The Third Amended Joint Plan of Reorganization is included with the Disclosure Statement attached to Mr. Adrianopoli's testimony as Appendix 1.

"necessary in the public interest" under Section 853(b) because the equity ownership change is occurring at the parent company level—and only the parent company level—in a manner that preserves the current, widely-held character of equity interests, while having no material impact on California day-to-day operations or consumers. Even if a more particularized review were to occur under Public Utilities Code Section 854, my testimony shows that the financial Restructuring and the anticipated debt deleveraging is manifestly in the public interest based on California's public interest factors. Finally, my testimony explains that it is appropriate and important to preserve a focused review in this proceeding to ensure that Applicants can emerge from Chapter 11 in a timely manner and begin realizing the benefits of the financial Restructuring, which will in turn facilitate benefits for consumers and all stakeholders.

Q. Are you offering testimony on legal issues in this proceeding?

A. No. I am not addressing the ultimate legal issues or offering legal interpretations of California law. Although I am trained as an attorney and I advise Frontier as its Chief Legal Officer, this testimony is designed to supply factual support for the Application. The facts presented here do not constitute privileged information, nor do they reflect a waiver of the attorney-client privilege or any other applicable protection or privilege.

Q. Are other witnesses providing testimony on behalf of Frontier?

A. Yes. Frontier's Executive Vice President of Strategic Planning, Mr. Carlin Adrianopoli, is providing testimony about Frontier's evaluation of its options to address its capital structure during the period immediately prior to filing for Chapter

11 protection, Frontier's negotiations with creditors, and its determination to file for protection and reorganization under Chapter 11. In addition, Mr. Adrianopoli testifies about the Chapter 11 process and provides an overview of the operative documents filed by Frontier in support of its emergence from Chapter 11.

Q. What topics are covered in your testimony?

A. My testimony addresses four principal subjects. First, I describe Frontier's corporate history, its operational focus, and its overall market position. As part of this discussion, I offer facts to help contextualize the Chapter 11 filing. Second, I explain why an expedited approach to this proceeding is appropriate under Public Utilities Code Section 853(b) in light of the operationally non-substantive nature of the parent company ownership change, the limited impacts on California consumers, and the countervailing public harms of delaying Applicants' emergence from Chapter 11. Third, I provide facts reflecting the application of each of the public interest standards and factors in Public Utilities Code Section 854 to Frontier's change of ownership and financial Restructuring. Fourth, in response to positions presented in the intervenor protests, I address the importance of maintaining a focused review that addresses the transaction at issue. It would be harmful and distracting for the Commission to expand its review into other areas of general regulatory compliance, revisit previous outcomes, duplicate other proceedings, or attempt to achieve long-term policy objectives that are not germane to the specific relief requested or the transactions that gave rise to the Appliction.

II. <u>OVERVIEW OF FRONTIER AND ITS BUSINESS</u>

Q. Could you please provide a brief overview of Frontier's current national operations?

A. As of December 31, 2019, Frontier's operating subsidiaries nationwide had approximately 4.1 million total customers and 18,300 employees, operating in 29 states. As of May 1, 2020, following the sale of operations in the Pacific Northwest region, Frontier's operating companies have a presence in 25 states. Frontier's executive management team oversees its operations from the company's headquarters in Norwalk, Connecticut. Many day-to-day management activities are conducted locally, in each of the respective regions or states in which Frontier's incumbent local exchange carrier ("ILEC") operating companies provide traditional landline voice services to residential and business customers. For example, in California, engineering, customer service, network operations, government affairs, information technology, and community outreach functions are performed by employees whose principal offices are within the state.

Frontier's operating subsidiaries provide regulated voice service, including retail service provided to residential, institutional, and business customers. Frontier's operating subsidiaries also provide other services, many of which are unregulated, including Internet access service, and, in some states, video service. Nationally, Frontier's subsidiaries manage an extensive communications network including over 180,000 route miles of fiber. Frontier's operating companies connect to households, business locations, and institutions in its service territories using a combination of fiber optic, copper, and microwave technologies. Frontier's network also provides backhaul to cell towers, which eanbles wireless carriers to deliver service in the areas served by Frontier's operating subsidiaries. The network consists of fiber optic and copper cable, which are the primary transport technologies between its central offices, remote facilities, and interconnection points with other telecommunications carriers.

As of 2019, residential services accounted for 51% of total revenue company-wide, while commercial services, which include business and wholesale, accounted for 44% of total revenue. Regulatory support payments, including Connect America Fund II ("CAF II") support, accounted for 5% of total revenue. In California, only approximately 24% of the California Operating Companies' revenues are generated from regulated voice services.

Q. Please describe each of the Applicants.

A. The parent company, Frontier, is the publicly-traded holding company of each of the Frontier operating companies, including each of the California Operating Subsidiaries. Frontier California, CTC California, and Frontier Southwest are wholly-owned subsidiaries of Frontier. Each of these three companies serves as an ILEC in California, with principal offices located at 2560 Teller Road, Newbury Park, California 91320. Frontier California's service territories include urban and suburban areas in southern California, as well as suburban and rural areas in central and northern California. CTC California serves suburban and rural areas in northern California, including Elk Grove and Susanville. Frontier Southwest serves mostly rural areas in southern and eastern California, and also serves areas in

Nevada and Arizona. Frontier America and Frontier Online are interexchange carriers serving in California and in several other states.

Q. What are Frontier's chief business objectives in California?

A. Frontier's primary objective is to provide competitive services to its California customers, preserving its relationships with those customers and attracting new customers. In the short term, Frontier intends to emerge from Chapter 11 as soon as reasonably possible and thereby stabilize its operations by reducing its debt and debt service payments. The benefits of the debt reduction and the phase-out of the significant Chapter 11 expenses that Frontier is currently incurring will benefit Frontier's entire operation, including the California Operating Subsidiaries. In the mid- and long-term, Frontier's critical competitive objectives continue to be the provision of competitive voice service and enhanced broadband services and innovation in its service offerings and customer interfaces. Frontier has a long history of community involvement and local responsiveness. I expect these values and initiatives to continue to be paramount as Frontier executes on its broader business and market strategy in the years to come. Frontier competes against formidable communications companies, including wireless operators, competitive local exchange carriers ("CLECs") and cable operators, many of whom have significantly larger scale and highly attractive network platforms and offerings. If Frontier is unable to reduce its unsustainable level of debt and is therefore unable to effectively offer competitive alternatives to the products and services offered by wireless, CLEC and cable operators, Frontier will fail all of its stakeholders, including customers. Prompt emergence from Chapter 11 will provide Frontier with the financial resources to better achieve its California business objectives and be a long-term competitive alternative to larger, less encumbered and less regulated cable operators, wireless providers and CLECs.

III. THE NEED FOR AN EXPEDITED REVIEW PROCESS AND A STREAMLINED REVIEW.

Q. Why do you believe the Commission should utilize the exemption under Public Utilities Code Section 853(b) rather than applying the full Section 854 analysis?

A. There are two main reasons why Section 853(b) should be invoked to create a streamlined path for the Commission's review. First, the transaction at issue involves a parent company ownership change that will not harm consumers in California, but which will enable Frontier to pursue a financial Restructuring whose benefits, including for California customers, are unquestionable. A detailed review under Section 854 is not needed to determine the benefits of this Restructuring, as I demonstrate in my testimony below. Second, the longer the Applicants remain in Chapter 11, the more resources and expenses they will have to expend in support of the bankruptcy process, and, if the review is unnecessarily protracted, more of Frontier's resources will be wasted rather than spent pursuing competitive and customer-focused initiatives. Section 853(b) provides an expedited process that will allow a financially stronger and operationally focused Frontier to emerge sooner from Chapter 11.

Q. Is Frontier's proposed Restructuring similar to the types of transactions that the Commission typically reviews under Section 854?

A. No. As I explain in more detail below and as described in the Application, Frontier's proposed Restructuring is quite different from the typical change of control applications reviewed by the Commission under Section 854. The Application does not involve a transaction where two independent parties are seeking to merge or where one party is seeking to purchase the assets or operations of another entity, as was the case when Frontier purchased the California operations and assets of Verizon Communications Inc. ("Verizon") in 2016. Frontier's proposed Restructuring is not a purchase or merger transaction. In this case, the Chapter 11 process—the "transaction" being reviewed—is a balance sheet Restructuring of Frontier, the widely-held, publicly-traded corporate parent, which will enable its existing operating companies to continue to provide regulated telephone services and other nonjurisdictional communications products on the same terms and conditions as those operating subsidiaries do today. The only difference will be that Frontier, the corporate parent, will be relieved of more than $10 billion in funded debt obligations and $1 billion in annual interest payments. Unlike mergers or acquisitions for which the Commission must assess the fitness of a new majority owner, consider the feasibility of a new operational platform, or evaluate the viability of a new pro forma entity, upon emergence from Chapter 11, Frontier's operations in California will continue on the same terms and conditions and its ultimate ownership will be widely held just as it is today. To effectuate the financial Restructuring, Frontier's existing Senior Noteholders will hold the new common stock of Reorganized Frontier, replacing the former public holders of the parent company's equity.[2] In addition, it is intended that the new common stock of Reorganized Frontier will be publicly-traded and listed on a recognized U.S. stock exchange as promptly as practicable after Applicants' emergence from Chapter 11. Accordingly, as is the case today, the ownership of Reorganized Frontier will be widely-dispersed, and no single noteholder is expected to hold a 10 percent or greater interest in Reorganized Frontier. The proposed Restructuring of Frontier's balance sheet obligations will maximize Frontier's future financial flexibility and competitiveness, and the California Operating Subsidiaries will benefit as Reorganized Frontier emerges from Chapter 11 as a stronger, more financially-sound enterprise that is better positioned to provide high-quality service in the highly competitive telecommunications marketplace. As such, the proposed Restructuring is not the kind of change of control transaction typically reviewed by the Commission under 854. The straightforward facts show that it does not raise material concerns and it is clearly in the public interest.

Q. Is it your testimony that the Commission does not need to assess the Restructuring?

A. No. The Commission can appropriately review the public interest benefits of the Restructuring through a streamlined review process under Section 853(b). To be clear, the only substantive "change" arising from this transaction is that

[2] The Senior Noteholders are the holders of approximately $10.95 billion in aggregate principal amount of senior unsecured notes issued by Frontier with maturities between September 2020 and October 2046 (the "Senior Notes") which are publicly traded.

Reorganized Frontier will have debt that is reduced by more than $10 billion and annual interest expense that is lower by approximately $1 billion. Frontier and its California Operating Subsidiaries will remain operationally intact and continue to serve customers as they do today, but with a significantly deleveraged capital structure. The Restructuring is, on its face, overwhelmingly positive for Frontier's California customers, communities, and employees. Through the Restructuring, Frontier avoids a scenario in which it would otherwise increasingly be constrained by high debt costs, with the likely eventual result that the company becomes an ineffective service provider and competitor—which is clearly not in the public interest. The elimination of debt and the related reduction in annual interest expense will affirmatively result in Frontier, through its California Operating Subsidiaries, becoming a stronger company, a more formidable competitor, and a healthier employer in California. The public interest benefit of the Restructuring is patently apparent, so Section 853(b) is sufficient to perform the necessary level of review. To reject or otherwise materially delay the Restructuring would be profoundly damaging to customers, Frontier, its employees and the public interest.

Q. Please describe the change of ownership that will be involved in executing Frontier's Plan of Reorganization to emerge from Chapter 11.

A. To effectuate the Restructuring under the Plan of Reorganization ("Plan"), Frontier's Senior Noteholders will become the new shareholders of Reorganized Frontier. This ownership change will require the formation of a new corporate structure through three newly-created companies: Reorganized Frontier, Frontier Communications Intermediate, and Frontier Communications Holdings. The relationship between these entities and their ultimate ownership is depicted on Appendix A to my testimony and was reflected in the Application filed in this proceeding. No individual person or shareholder group will have a controlling equity interest in Frontier in this new structure. Other than the substitution of the existing direct parent company with a new parent company to be owned by the Senior Noteholders, no corporate changes to the California Operating Subsidiaries will occur as a result of the Restructuring.

Q. Please provide an overview of Frontier's capital structure before and after the Restructuring.

A. At the time of the Chapter 11 filing on April 14, 2020 (the "Chapter 11 Petition Date"), Frontier was liable for approximately $17.5 billion of funded debt obligations. As shown on Appendix B to my testimony, the Senior Noteholders will become the new equity holders of Reorganized Frontier, with the number of shares allotted to each noteholder in proportion to its prior ownership of Frontier's senior unsecured notes which total $10.95 billion. As a result, the Senior Noteholders will entirely replace Frontier's pre-Chapter 11 shareholders. This substitution will produce a benefit of a more than $10 billion reduction of Frontier's total debt and a reduction of annual interest expense by approximately two-thirds from $1.5 billion to approximately $500 million.

Q. Does the Application include diagrams that also show the pre- and post-emergence organizational structure?

A. Yes. The diagrams appear on pages 9 and 10 of the Application. The same organizational structure diagrams have been provided with this testimony in Appendix A.

Q. When does Frontier intend to emerge from Chapter 11?

A. Frontier plans to emerge from the Chapter 11 process as soon as it secures all requisite regulatory approvals. As explained in the Disclosure Statement presented to the Bankruptcy Court:

> [Frontier] will emerge from these Chapter 11 Cases and the Plan will be effective as soon as all conditions precedent to the Plan have been satisfied. As noted in Article IV.J of the Plan, the Debtors will continue to diligently pursue approval of the FCC Applications and PUC Applications. The Debtors are prepared to emerge from these Chapter 11 Cases in advance of the milestone date set forth above, as soon as all approvals are received and other conditions precedent to the Effective Date are satisfied.

Disclosure Statement, p. 69.

Frontier's Plan will become effective and Frontier and its subsidiaries can emerge from the Chapter 11 process once regulatory approvals are obtained, which means that prompt conclusion of the regulatory approval process is vital to preserve capital and enable Frontier to operate in the highly competitive telecommunications market. Based on the schedule presented in connection with the recent Pre-Hearing Conference in this proceeding, Frontier anticipates that the approval of the proposed Restructuring transfer of control in California will be later than the reviews and approvals by the FCC and all other state public utility commissions. This extended approval process will cause Frontier to incur significant administrative, legal, and bankruptcy-related expenses, potentially as high as tens of millions of dollars. These resources could otherwise be used to operate its businesses, compete in the market, and minimize customer losses for the benefit of California consumers and employees.

Q. What costs is Frontier incurring by remaining in Chapter 11?

A. Frontier must pay significant third-party legal, regulatory, financial advisory, and consultative fees, including bankruptcy counsel and the management of bankruptcy-related data expenses, and the fees associated with the Bankruptcy Court's oversight. In addition, Frontier has to redirect its internal personnel from day-to-day operations to manage the Chapter 11 case and associated regulatory processes, and to maintain oversight of the various administrative requirements. As a result, while Frontier remains in Chapter 11, it is expending significant financial resources that might otherwise be directed to customers and service operations. These costs are in addition to significant opportunity costs associated with the business being in, and constrained by, the Chapter 11 process, including the loss of customers to competitors that seek to leverage and utilize the uncertainty of an extended bankruptcy to target Frontier's customers.

Q. What is the status of other state and federal regulatory approvals?

A. Frontier has provided notice of the Chapter 11 cases to all of the public utility commissions in the states in which its subsidiaries operate, and is expeditiously pursuing all required state and federal regulatory approvals on an expedited basis in parallel with the Plan confirmation process. Approvals are required from the FCC and some state commissions in which Frontier currently operates, including California. Appendix C to this testimony provides a list of pending approval requests. On June 10, 2020, South Carolina issued an order approving the

Restructuring. On July 14, 2020, the Nebraska Public Services Commission voted to approve Frontier's application, and in Utah, the deadline for objections to the approval has expired, with the result that no further action will be taken by the Utah Public Service Commission. On July 29, 2020, the Public Utilities Commission of Nevada approved Frontier's application. Frontier currently expects the other regulatory approvals to be completed before the end of the year, and most will be completed in the next 30 to 60 days. Frontier is prepared to emerge from Chapter 11 as soon as it secures the necessary regulatory approvals, including approval from this Commission.

Q. When is the Bankruptcy Court expected to confirm the Plan?

A. Frontier is well ahead of the Restructuring Support Agreement timeline for certain of the identified Chapter 11 milestones. As noted above, in addition to the Restructuring Support Agreement and the Plan, Frontier filed its Disclosure Statement relating to the Plan with the Bankruptcy Court. On June 30, 2020, the Bankruptcy Court approved the Disclosure Statement and exhibits, including a definitive version of the Plan, attached thereto as Exhibit A to the Disclosure Statement, to be used in connection with the vote solicitation. The approval of the Bankruptcy Court enabled Frontier to immediately issue the Disclosure Statement and ballots to holders of claims in the Chapter 11 Cases to solicit votes to accept the Plan. The vote solicitation process ended on July 31, 2020. Votes have been tabulated and filed with the Bankruptcy Court in advance of the Bankruptcy Court's hearing to confirm the Plan in August ("Confirmation Hearing").

Q. Do you expect any material modifications to the Plan prior to confirmation?

A. No. Frontier does not expect any material modifications to the Plan, particularly those provisions related to the holding company structure of Frontier and the California Operating Subsidiaries post-emergence. Those corporate structure provisions have remained unchanged since the Restructuring Support Agreement ("RSA") was originally executed and throughout the Chapter 11 process. Section 1126(c) of the Bankruptcy Code requires acceptance of the Plan by at least two-thirds in dollar amount and more than one-half in number of Senior Noteholders. The Consenting Noteholders[3] reflecting more than 75% of the total value of the outstanding notes have executed the RSA, and have committed to support the Plan, including the organizational structure changes specified therein. As explained in the accompanying testimony of Mr. Andrianopoli, the vote solicitation process ended on July 31, 2020. The tabulation of the Senior Noteholders' votes reflects that Senior Noteholders voting in favor of Frontier's Plan significantly exceeds the 50% approval threshold for the number of Senior noteholders and the 66 2/3% approval threshold for dollar amount of outstanding senior notes.

[3] "Consenting Noteholders" refers to the approximately 200 Senior Noteholders who have executed the Restructuring Support Agreement and agreed to support the Restructuring and that collectively hold over 75% of the Senior Notes.

IV. APPLICATION OF STATUTORY PUBLIC INTEREST FACTORS.

Q. If the Commission determines that Section 854 applies, does the Restructuring meet the relevant statutory requirements?

A. Yes. The ownership change contemplated by the Chapter 11 Plan will have no adverse impact on the public interest, and the financial Restructuring under the Plan will have short-term and long-term benefits to the California economy, consumers, the competitive market, and the overall public intest. The Restructuring satisfies the approval standards in both Public Utilities Code Section 854(b) and Section 854(c).

Q. What is the standard of review under Section 854(b)?

A. Section 854(b) states that, with respect to transfers of control of telephone corporations like Frontier, the commission must find that the proposal "[p]rovides short-term and long-term economic benefits to ratepayers."[4] For rate-of-return utilities or other utilities "where the commission has ratemaking authority," the Commission must also determine that the "economic benefits" are "equitably allocate[d] . . . between shareholders and ratepayers."[5] The Commission must also find that the transaction does not "adversely affect competition."[6]

Q. Will the Restructuring under the Plan provide economic benefits for California ratepayers?

A. Consistent with the criterion in Public Utilities Code Section 854(b)(1), the

[4] Pub. Util. Code § 854(b)(1).
[5] Pub. Util. Code § 854(b)(2).
[6] Pub. Util. Code § 854(b)(3).

anticipated debt reduction and reorganization achieved by the Plan will materially enhance the Applicants' corporate and operational stability, thereby allowing the California Operating Subsidiaries to continue and improve upon their provision of high-quality voice and broadband services. A more stable company will also be a stronger employer in the State, which amplifies the economic benefits of the Restructuring. This anticipated debt relief will position the California Operating Subsidiaries to be stronger operators and providers of competitive voice and broadband services, which will preserve more competitive options for consumers and enhance Frontier's ability to meet customers' forward-looking telecommunications needs.

Q. In reviewing Frontier's proposed Restructuring, is the Commission required to reach findings about a specific allocation of economic benefits between ratepayers and shareholders?

A. No. Since 2006, each of the California ILECs have been subject to the Uniform Regulatory Framework ("URF"), in which they are entitled to pricing flexibility.[7] The Commission no longer sets these companies' rates. Instead, it relies on market forces to ensure that prices remain reasonable, and Frontier's California ILECs operate in highly-competitive markets in California. Frontier America and Frontier LD are interexchange companies, so they have been free from Commission price regulation for many years. The Commission is not exercising "ratemaking authority" in regulating any of the California Operating Subsidiaries, so the specific

[7] *See URF Phase 1 Decision*, D.06-08-030, at 2.

requirement in Section 854(b)(2) is not applicable here.

For carriers whose rates are set on a cost-of-service basis, it would make more sense to evaluate the specific allocation of cost savings between ratepayers and shareholders, as reductions in cost could alter the ratemaking equation by which rates are set. By contrast, for price deregulated entities, there is not a direct link between cost and price, so a specific allocation of cost savings is inappropriate. Frontier's California ILECs have no regulatory expectation of cost recovery through their rates, so the cost reduction from the Restructuring does not impact any Commission ratemaking formula or pricing mechanism.

Q. Are you suggesting that there is not an "equitable allocation" of the economic benefits of this transaction between shareholders and ratepayers?

A. No. While I understand that Section 854(b)(2) does not apply to this transaction, its standard is nevertheless met. Because the California Operating Subsidiaries are not subject to price regulation from the Commission, the economic benefits of the Restructuring will flow to ratepayers through the operation of market forces.[8] For companies facing intense competition like the California Operating Subsidiaries from wireless providers, cable companies and CLECs, the competitive market has been, and remains, the most efficient way to set prices. For the same reasons, it is the most effective mechanism to pass on transaction cost efficiencies such as those derived from the Chapter 11 Restructuring at issue here.

[8] *See Pacific Telesis Group*, D.97-03-067, at 18 ("[W]here market forces exist, we prefer that competition, instead of regulatory fiat, drive realized benefits to consumers through reduced prices and improved services.")

Q. Could you explain how the competitive market could deliver economic benefits from the Restructuring?

A. Frontier operates in a highly-competitive environment in which it must take advantage of opportunities to distinguish itself from its competitors, either through more favorable pricing, improvements in the customer experience, enhanced service quality, innovation in service offerigns, deployment of advanced infrastructure, or other strategies. Where, as here, competitive entities are able to deleverage and free up capital that would otherwise be devoted to carrying costs on outstanding debt obligations, they will be incentivized by the market to use that capital to attract more customers, retain existing customers, and introduce long-term strategies to improve their competitive position. In a competitive market, these incentives will naturally lead to consumer benefits, and the best way for Frontier to succeed in the long run is to provide a better service than its competitors. Frontier has every incentive to do that and to manage the additional capital from the Restructuring in a manner that maximizes its opportunities to increase its customer base and provide more attractive offerings to customers over a network that has the capabilities customers want going forward. The same dynamics that led the Commission to adopt URF for the Frontier ILECs are in place today, and they will ensure that the benefits of this transaction result in economic benefits to Californians.

Q. Does the Restructuring adversely affect competition in California?

A. The proposed Restructuring can only improve competition, so Section 854(b)(3) is clearly satisfied. The Plan will result in a significant reduction in funded debt obligations, which otherwise would have a stifling effect on Frontier's operations, including the operations of the California Operating Subsidiaries. If this problem were to persist, the current level of debt would be unsustainable over the longer term. The Restructuring will enhance Reorganized Frontier's balance sheet and increase its operating capital, benefitting the California Operating Subsidiaries' customers and the competitive market in that Frontier will remain a viable competitive alternative to the larger, less-regulated wireless, cable and CLEC entities. The Restructuring will not give the California Operating Subsidiaries market power or any undue advantages in the market. Rather, by enhancing the California Operating Subsidiaries' abilities to continue to operate and compete more effectively, competitors will be encouraged to do the same, which in turn facilitates improved service, more choices, new products, and lower prices for consumers.

The Restructuring will not adversely impact competition. This is not a scenario where a merger or acquisition creates a new or different market player that could destabilize the market. Likewise, Frontier's Restructuring does not implicate any concerns about cross-subsidization or unfair competition. Both before and after the Restructuring, Frontier will continue to operate in a competitive environment with multiple players. The Restructuring will simply produce debt relief that will allow Frontier to be a more active and dyanmic player in that market.

Q. Does the Restructuring meet the public interest standard defined in Public Utilities Code Section 854(c)?

A. Yes. The seven criteria related to the public interest standard in Section 854(c) are met, although I note the Commission is not required to find that each criterion is met on its own terms. Rather, Section 854(c) indicates that the Commission should weigh the various effects of the transaction under review and determine whether "on balance" the public interest is served. Frontier's proposed Restructuring satisfies each of the seven criteria and, therefore, is in the public interest. Because the seven criteria are all met, no mitigation measures or additional conditions are appropriate.

Q. How does the Restructuring "maintain or improve the financial condition of the resulting public utility doing business in the state" under Section 854(c)(1)?

A. The Plan ensures that the California Operating Subsidiaries will emerge from Chapter 11 as stronger, more stable service providers and competitors, more capable of serving their California customers. The Plan will reduce Frontier's debt by over $10 billion. The significant reduction of debt, reduced interest payments of approximately $1 billion annually, and improved capital structure resulting from the Restructuring will establish an appropriate capital structure for Frontier that will significantly strengthen its financial condition and liquidity. This enhanced financial strength, in turn, will better position the Reorganized Frontier to focus on providing competitive services and strategic growth.

As a result of the improvements to the balance sheet, Frontier will have improved access to capital, enhancing its California Operating Subsidiaries' abilities to more effectively compete in a dynamic telecommunications marketplace and better serve the needs of existing and new customers throughout their service territories. Similarly, consumers and businesses will benefit from the continued presence of the California Operating Subsidiaries in the marketplace and the availability of a competitive alternative for voice and broadband services.

Q. How will the Restructuring maintain or improve the quality of service to public utility ratepayers in the state under Section 854(c)(2)?

A. The Restructuring will not alter Frontier's day-to-day opertions, so service quality will at least be maintained. However, I expect improvements in service quality because the Restructuring will allow the Reorganized Frontier to eliminate debt costs and to focus on providing competitive services.. There will be no adverse effect on services, as none of those services will be discontinued or interrupted as a result of implementing the Restructuring. The California Operating Subsidiaries will continue to provide service to their existing customers pursuant to existing rates, terms, and conditions, and the Restructuring will be, for all practical purposes, imperceptible to customers. The Plan will not have any adverse impacts on wholesale services or purchasers of such services in California. The California Operating Subsidiaries will retain all existing obligations under their current interconnection agreements and other existing contractual arrangements, and will continue to comply with all applicable federal and state statutory and regulatory obligations. Approval of the Restructuring will allow the California Operating Subsidiaries to continue to provide competitive service options for California consumers.

Q. In what ways will the Restructuring maintain or improve the management of the resulting public utility doing business in the state under Section 854(c)(3)?

A. The Chapter 11 process is specifically designed to enable companies to continue to operate as usual while they develop and implement a financial restructuring plan. The Frontier Board of Directors ("Board") will continue to oversee Frontier during the pending Chapter 11 proceeding. In the Chapter 11 process and with Frontier's emergence from Chapter 11, the composition of the Board may change in the ordinary course. Under the terms of the Restructuring Support Agreement and the Plan, no changes to Frontier's California Operating Subsidiaries' current management are anticipated except modifications that might occur in the ordinary course of business during and following the bankruptcy process. Any ordinary course changes are not expected to impact management in California or day-to-day operations in California. I also note that, during the Chapter 11 process, Frontier will continue to operate its business and remain in possession of its property as a "debtor in possession." Frontier has more than $1 billion in liquidity, which will allow it to operate throughout the timeframe of a reasonable Chapter 11 process, but not indefinitely. As a result, Frontier has sufficient liquidity to operate its ILEC companies, including the California Operating Subsidiaries, on essentially a business-as-usual basis throughout the Chapter 11 process, pay its vendors and employees, and continue to provide services to customers. The goal is to ensure no disruption to customer services through the Chapter 11 process and to establish a financially stronger, sustainable company upon emergence from Chapter 11.

Q. Will the Restructuring be fair and reasonable to affected public utility personnel, including both union and nonunion employees, consistent with Section 854(c)(4)?

A. Yes. Frontier intends to maintain both union and non-union employees supporting California. All employee compensation and benefit programs, and collective bargaining agreements, including without limitation under any expired collective bargaining agreements, in place as of the effective date of the Plan, are expected to be assumed by Frontier and remain in place as of the effective date of the Restructuring Plan. In addition, Reorganized Frontier's employees, including those in California, will benefit from the stability of a stronger and financially healthier company with improved financial and operational viability.

Q. In what ways will the Restructuring be fair and reasonable to the majority of all affected public utility shareholders, consistent with Section 854(c)(5)?

A. Board approval should be sufficient to satisfy this factor, as the Board has a fiduciary duty to act in the best interests of shareholders. Frontier's Board has concluded that the Restructuring is in the interest of the shareholders and Frontier. Mr. Adrianopoli testifies about the process and the deliberations of the Board.

Q. Will the Restructuring be beneficial on an overall basis to state and local economies, and to the communities in the area served by the resulting public utility, consistent with Section 854(c)(6)?

A. Yes. As I previously explained, with a stronger balance sheet, Frontier will have the capacity to continue to serve existing customers and attract new customers and provide a competitive service alternative for California consumers. Frontier is committed to maintain the California Operating Subsidiaries' networks and operations, directly benefiting state and local economies with competitive voice service and broadband-capable facilities over which customers derive greater social, economic, safety, and educational benefits. Frontier's continued viability will also benefit the economy by allowing the California Operating Subsidiaries to continue to procure goods and services from local businesses in California.

Q. Will the Restructuring impact the jurisdiction of the Commission and the capacity of the Commission to effectively regulate and audit public utility operations in the state, as referenced in Section 854(c)(7)?

A. The Restructuring will not alter the Commission's jurisdiction over the California Operating Subsidiaries. It is important to note, however, that only approximately 24% of the California Operating Companies' revenues are generated from regulated voice services. The vast majority of revenues and income are generated from unregulated services, including broadband. Frontier projects ongoing annual contraction in regulated voice services; for 2020, the Company expects that regulated California voice services will be approximately 21.7% of total California Operating Subsidiaries' revenues. Frontier's California ILECs currently operate under URF today, and they will operate under URF after the Restructuring. Frontier's two long distance companies in California will remain subject to the limited regulations applicable to California interexchange carriers. The Restructuring will not change Frontier's participation in California's public purpose or universal service programs, including the California High-Cost Fund-B ("CHCF-B"), the California Teleconnect Fund ("CTF"), the California LifeLine

Program ("LifeLine"), the California Deaf & Disabled Telecommunications Program ("DDTP"), and the California Advanced Services Fund ("CASF"). Likewise, Applicants will continue to fulfill the commitments they have made in connection with the acquisition of Verizon's ILEC operations in 2016, and the Commission will retain the ability to enforce those provisions. All affected entities subject to the Commission's jurisdiction will continue to operate in compliance with the Commission's decisions, policies, rules, and regulations.

Q. What are your overall conclusions about the application of the factors under Section 854(c)?

A. Viewed as a whole, the Section 854(c) factors show that the Restructuring will advance the public interest by giving Frontier's California Operating Subsidiaries enhanced capital to more effectively compete and provide a consumer alternative to wireless, cable, and CLEC competitive services that dominate much of the telecommunications marketplace. However, even if all of the identified benefits described above in my testimony did not materialize, there are no facts suggesting that the transaction would harm the public interest. In fact, the opposite is true. If Frontier were denied the ability to eliminate over $10 billion in debt and reduce its annual interest obligations by $1 billion, the public interest would be affirmatively and negatively impacted if the Company retained unsustainable debt service obligations and was forced to eliminate or reduce expenditures and competitive service offerings in California. The statutory factors are satisfied even under the narrowest view of the impact of the Restructuring and weigh heavily in favor of approving the transaction.

V. THE SCOPE OF REVIEW AND ADDITIONAL TOPICS RAISED BY INTERVENORS.

Q. What is your understanding of the scope of the Commission's review in this proceeding?

A. The scope of the review for this change of control transaction should be narrow. That is, the Commission is determining whether a specific ownership change at the parent company level and a related Restructuring is in the public interest. The Commission must evaluate whether the Restructuring will benefit and not negatively impact California customers. This involves a consideration of whether the substitution of the parent company's current widely-dispersed equity ownership with a collection of different, widely-dispersed equity owners will result in any meaningful change in its California operations, and Applicant's regulated voice services in particular. These questions do not involve an assessment of the relative public benefits conferred by Frontier's current operations; they are specific to the impacts of a specific transaction.

If the transaction either has no impact or advances the public interest, it should be approved. And, if denying the transaction affirmatively harms the public interest, it should be approved. Fundamentally, the Commission is assessing whether it is beneficial and in the public interest that, through the Restructuring, Frontier's debt is sharply reduced by more than $10 billion and that its annual debt service shrinks by approximately two-thirds from $1.5 billion to about $500 million. As I have explained, it is difficult to imagine a scenario by which the Restructuring is not, on its face, beneficial to California customers and in the public interest.

Q. Is there a need to review Frontier's operating data in recent years to determine whether the Restructuring is in the public interest?

A. No. The Restructuring is not a "transaction" requiring the Commission to assess new management, telecommunications capabilities, changes in operating systems, capital resources, and contractual relationships, among other things. Frontier recognizes that there is a nominal new corporate entity formed as a result of the Chapter 11 process, but the Restructuring will occur without *any* related operating changes for the California Operating Subsidiaries. More to the point, under the statute, the Commission should only reject the Restructuring if it believes the public interest is better served by the California Operating Subsidiaries remaining in Chapter 11 indefinitely than by emerging quickly as companies with improved financial strength and flexibility. Were the California Operating Subsidiaries to remain in Chapter 11 indefinitely, they could potentially need to liquidate assets and operations in California and cease being service providers that offer voice and other services to compete with wireless, cable and CLEC providers in the state. The Restructuring is a straightforward improvement of the capital structure of the ultimate parent company of the California Operating Subsidiaries that will continue, under the Commission's regulatory oversight, to serve California customers using generally the same personnel, systems, and operating assets. While the Commission is assessing the Restructuring as a "transfer of control," the underlying reality—the sole effect—is that one diverse shareholder base is being replaced with another diverse shareholder base in which no single person or institutional investor will have a controlling interest, and the business is in reality the same—except with a far stronger balance sheet and ongoing financial viability to allow it to continue to provide competitive service alternatives in California. As such, there is no need for or requirement under the statute that the Commission assess Frontier's service quality and other operating data to determine that the Restructuring transaction is in the public interest.

Q. Does this proceeding concern Frontier's acquisition of Verizon in 2016?

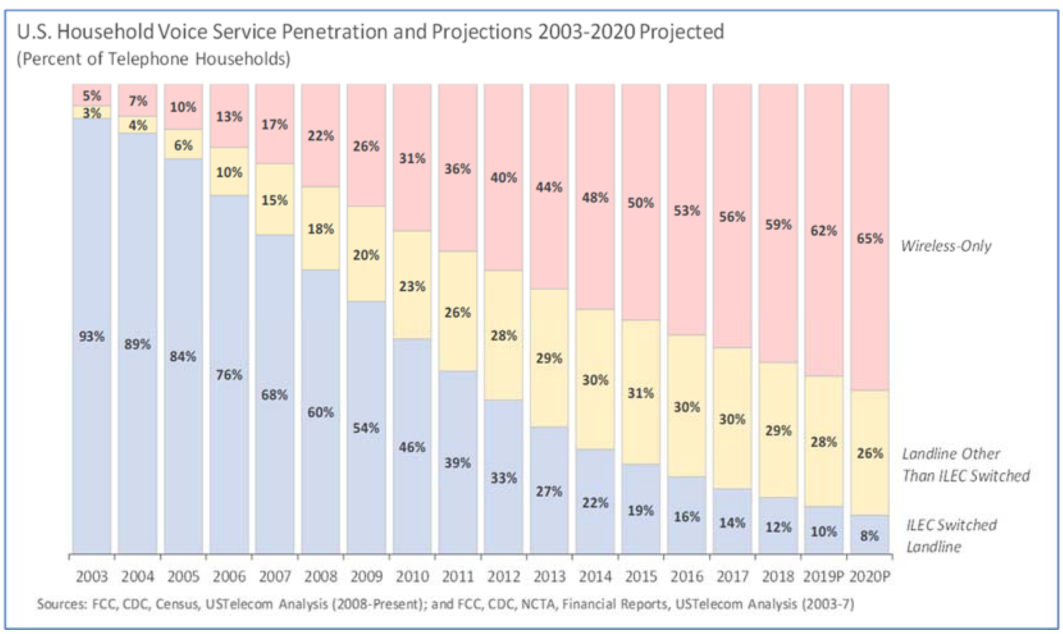
A. No. In 2016, the Commission approved Frontier's acquisition of the Verizon operations in California, and, as part of that approval, Frontier agreed to comply with significant conditions proposed by the Commission. The current proceeding does not concern the 2016 transaction and the statutory standard of review for the Restructuring does not encompass revisiting the merits of prior transactions.

Q. In 2016, could the Commission have imposed other conditions that would have helped avoid Frontier's filing for Chapter 11?

A. No. There were no conditions that the Commission could have crafted to avoid Frontier's current financial crisis. It is important to recognize that Frontier's bankruptcy is fundamentally the direct result of two powerful factors: (1) the sharply increased level of debt in 2016 when Frontier incurred $10.54 billion in incremental debt; and (2) the rapid and significant unanticipated loss of customers after the consummation of the 2016 acquisition of Verizon's landline operations in California, Texas, and Florida. Much of this customer loss was driven by changes in consumer preferences as more and more customers migrate away from traditional voice telephone and video offerings. Frontier experienced unanticipated competitive customer losses, with the number of customers companywide declining from a high of 5.4 million in 2016 to approximately 4.1 million as of March 2020. Frontier believes firmly that the Commission could not have imposed *any* regulatory conditions that would have altered the changes in customer preferences and the resulting customer losses.

Q. Why do you believe that Frontier's customer losses are attributable to changes in customer preferences?

A. The ILEC industry is currently coping with significant competitive pressures due to a transition in service-delivery technologies away from regulated service offerings. Customers are rapidly shifting their traditional voice-related services from wireline carriers to wireless services. The trade organization USTelecom prepared the following graphic based on data from independent government sources:[9]



[9] USTelecom, the Broadband Association, "USTelecom Industry Metrics & Trends 2020," Washington, DC, slide 39.

The graphic demonstrates the dramatic industrywide losses of ILEC customers to wireless and other landline providers and shows that the percentage of households served by ILEC regulated voice services has declined from 93% in 2003 to an estimated 8% in 2020. Just since 2016, the year Frontier acquired Verizon's operations in California, the percentage of households service by ILEC regulated services had declined by one half – from 16% to 8% in 2020. Frontier's subscribership experience across its footprint and in California is consistent with this trend. In line with this decline, the percentage of revenues derived from regulated voice services has also fallen, such that only approximately 24% of the Frontier's California revenues are attributable to regulated voice services, with ongoing annual contraction of that percentage expected in 2020 and beyond.

Q. How do ILEC industry competitive customer losses in California compare to national trends?

A. The FCC provides annual data related to voice services, which are summarized in the table below and are consistent with the US Telecom trend analysis. The data highlight that ILEC voice customer losses in California have mirrored the national trends, with ILEC market share declining significantly in recent years. For California, between December 1, 2008 and December 1, 2018 (which are the most recent FCC data), ILEC voice market share, including Voice over Internet Protocol ("VoIP") connections, declined from approximately 31% to 10%, reflecting a 66% decline in ILEC voice subscribers over the ten-year period. Nationally during this same period, ILEC voice market share declined from approximately 28% to 10%, which is a 60% contraction in ILEC voice subscribers.

FCC Report of Voice Services by Carrier Type

	December 1, 2018		December 1, 2008	
California	**Lines**	**% of Total**	**Lines**	**% of Total**
Mobile Telephony	43,336	76%	32,177	61%
Wireline - Other (CLEC, cable, etc.)	7,860	14%	4,607	9%
Incumbent LECs	**5,559**	**10%**	**16,345**	**31%**
Total Wireline End-User Switched Access Lines & Interconnected VoIP	13,419	24%	20,952	39%
Total Voice Lines[1]	**56,755**	**100%**	**53,129**	**100%**
National				
Mobile Telephony	348,225	76%	261,284	62%
Wireline - Other (CLEC, cable, etc.)	63,178	14%	44,207	10%
Incumbent LECs	**47,261**	**10%**	**118,496**	**28%**
Total Wireline End-User Switched Access Lines & Interconnected VoIP	110,439	24%	162,703	38%
Total Voice Lines[1]	**458,664**	**100%**	**423,987**	**100%**

[1] Total Voices Lines includes Mobile Telephony, plus Total Wireline End-User Switched Access Lines & Interconnected VoIP Subscriptions

Source: https://www.fcc.gov/voice-telephone-services-report; Nationwide and State-Level Data for 2008-Present

Declines in ILEC market share parallel shifts toward wireless voice services and non-ILEC voice providers. As reflected in the table above, wireless voice providers had captured approximately 76% of the voice market by December 2018, with total wireless voice subscribers having grown approximately 33%+ over the 10-year period (the California and national data, again, are very similar). Non-ILEC wireline voice providers had captured approximately 14% of the voice market by December 2018, with total non-ILEC wireline lines also having grown significantly over this period. As of December 2018, ILECs' connections nationwide represented only approximately 10% of a highly-competitive voice market, and ILECs' minority market share position is certainly well below 10% today given the continuation of the wireless substitution trend.

Q. Is there a need to review Frontier's existing service record to determine whether the Restructuring is in the public interest?

A. No. Again, this proceeding involves an examination of the public interest ramifications of a specific and narrow "transaction," the substitution of new equity owners for the current equity owners and the related financial Restructuring. The proceeding is designed to detect and measure the impacts of the Restructuring transaction, not conduct a comprehensive review of Frontier's operations or service quality performance. The Commission should only reject the Restructuring if it believes the public interest is better served under the current constrained capital structure. Indeed, in assessing this Restructuring, the Commission should consider the public harm that would come from forcing Frontier to operate with the existing unsustainable levels of debt.

Q. Certain intervenors propose that Frontier California's service quality performance should be examined in this proceeding. Do you agree?

No. This proceeding concerns whether it is in the public interest for Frontier to replace its current ownership and restructure its balance sheet to achieve sharply lower levels of debt and debt-service. Certain parties seek to use this proceeding to examine service records and levels of investment, but those matters can, and should, be addressed in other proceedings and/or with other, more appropriate, oversight mechanisms.

Q. How do you respond to intervenors' concerns about Frontier's service quality?

A. Again, there are other proceedings and mechanisms available to examine service quality. This proceeding concerns review of a specific transaction, not a blanket audit of Frontier's service quality. Nevertheless, I note that Frontier's California ILECs provide accurate and timely reports to the Commission and work with Commission staff to comply with all Commission orders and guidelines. The Commission's service quality rules for URF ILECs set forth in General Order 133-D address three metrics of particular interest to intervenors: repair 90% out-of-service events within 24 hours ("90% OOS"); answer 80% of calls within 60 seconds; and have fewer than 6%, 8%, or 10% customer trouble report rate in a given area based on the number of lines served. "Trouble reports" are defined as service affecting reports, such as out-of-service reports, and reports concerning dissatisfaction with telephone company services. Applicants' representatives meet with Commission staff each quarter to review its service quality, and it expects to continue that review process going forward.

Q. Aside from reviewing quarterly service quality reports, does the Commission have other regulatory mechanisms for addressing service quality performance?

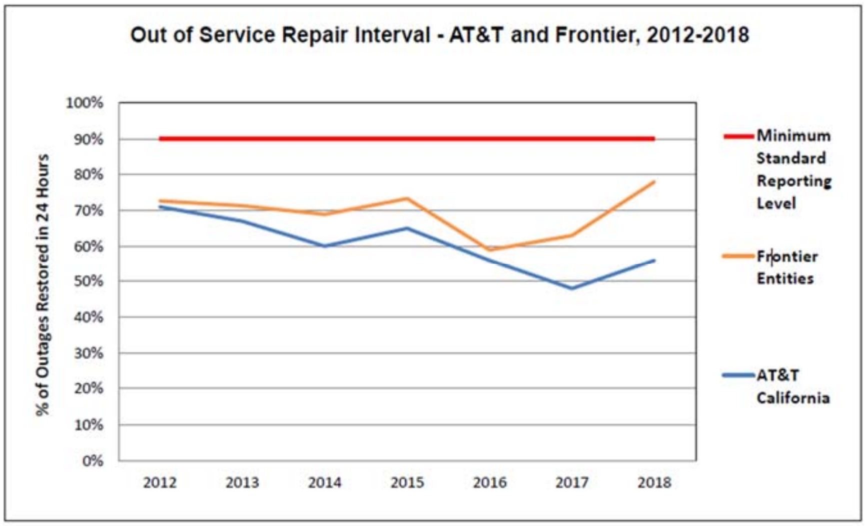
A. Yes, the Commission has already enacted the regulatory response to a carrier's failure to meet service quality metrics in its service quality rulemaking, R.11-12-001. There, in D.16-08-021, the Commission established automatic fines, effective January 1, 2017, for any carrier that failed to meet a metric. These rules allow carriers to request a suspension of any fine and, in lieu of a fine, submit proposals to invest twice the amount of the fine in projects to improve service quality. All such proposals and projects require Commission approval. The Commission has approved Frontier's proposals for 2017 and 2018, and the projects are underway. Frontier also has submitted a proposal for 2019, which is pending with the Commission. Under its approved and pending proposals, Frontier will spend more than $6.8 million on dozens of service quality projects. In addition, the Commission initiated a review of AT&T's and Frontier California's network performance as part of a specific inquiry stemming from the service quality proceeding.[10] That examination remains ongoing.

Q. What are the recent trends regarding the service quality performance in the former Verizon areas served by Frontier California?

A. Currently, Frontier California reports the three service quality metrics to the Commission noted above: 1) trouble report rates, 2) call answer time and 3) out of service (OOS) restoral in 24 hours. Frontier California regularly meets the trouble report rate metric. For 2019, its results were well below and met the GO 133-D requirements, ranging from 0.61% to 2.81%. Also, Frontier California regularly meets the call answer time metric. From April 2019 through June 2020, it met this metric every month except December 2019 (77%). In June 2020, Frontier California achieved 96.7%. Like AT&T and Frontier California's predecessor, Verizon California, Frontier California has not met the

[10] *See* D.13-02-023.

Commission's 90% OOS metric. The Commission is well aware of the large ILECs' performance regarding the 90% OOS metric. Its website has a chart comparing Frontier's performance with AT&T's for the period 2012-2018, which is replicated here:



This chart shows that Frontier's performance exceeds AT&T's performance.

Q. Certain intervenors raise the issue of Frontier's prior commitments from the Verizon transaction in 2016. Do you agree that this issue should be addressed in this proceeding?

A. No. This proceeding is not the proper venue for examination of the Frontier Operating Subsidiaries' compliance with its prior commitments associated with the 2016 Verizon transaction. Nevertheless, I will provide a summary of Frontier's commitments and its compliance with those commitments. Frontier made a number of commitments as part of its acquisition of Verizon California, as set forth in D. 15-12-005. Ordering paragraph 13 of D. 15-12-005 expressly permits any party in that proceeding to seek redress from the Commission at any time for an order directing Frontier to perform one or more commitments contained in any settlement. To date, only one party has sought such a directive, and that matter was resolved through a separate proceeding no longer before the Commission.[11]

Q. What were Frontier's specific commitments for broadband expansion as part of the 2016 Verizon transaction?

A. As part of the settlement with the Public Advocates Office, The Utility Reform Network, and other intervenors with respect to the 2016 Verizon transaction, Frontier agreed to do the following: (1) accept CAF II funding to upgrade 90,000 locations in California; (2) deploy broadband to an additional 100,000 households at 10 Mbps downstream and 1 Mbps upstream (10/1 Mbps) by 2020; (3) deploy broadband to an additional 7,000 households at 10/1 Mbps in Northern California by 2022; (4) augment the broadband speed for 250,000 households to 6/1 Mbps by 2022; and (5) augment broadband speeds for an additional 400,000 households up to 25/2 Mbps by 2022. The following chart summarizes the broadband enhancement commitments made by Frontier with settlement required annual buildout milestones.

[11] *See* D.19-03-017.

Frontier's Four Acquisition-Related Categories of Broadband Deployment With Settlement Buildout Milestones

<<BEGIN CONFIDENTIAL

Settlement Category	Minimum Service Speed	Cumulative Number of Households To Be Served									Settlement Total HHs	Reported Completed as of 12/31/19
		2017 Commitment	2017 Reported	2018 Commitment	2018 Reported Annual/ Cumulative	2019 Commitment	2019 Reported Annual/ Cumulative	2020	2021	2022		
1) 10 Mbps Service	10 Mbps Down 1 Mbps Up	-	[redacted]	50,000	[redacted]	75,000	[redacted]	100,000	-	-	**100,000**	[redacted]
2) Northern California 10 Mbps Service **	10 Mbps Down 1 Mbps Up	-	[redacted]	-	[redacted]	-	[redacted]	-	-	7,000	**7,000**	[redacted]
3) 6 Mbps Service	6 Mbps Down 1-1.5 Mbps Up	-	[redacted]	50,000	[redacted]	100,000	[redacted]	150,000	200,000	250,000	**250,000**	[redacted]
4) 25 Mbps Service	25 Mbps Down 2-3 Mbps Up	**100,000**	[redacted]	150,000	[redacted]	200,000	[redacted]	250,000	300,000	400,000	**400,000**	[redacted]
Grand Total											**757,000**	[redacted]

END CONFIDENTIAL>>

Q. How is Frontier progressing in meeting each of the buildout milestones?

A. For the first three years under the settlement, which contemplated broadband buildout over a six year period from 2017 to 2022, Frontier has met or exceeded all but one of the aquistion-related annual milestones for the deployment of broadband. Specifically, in 2017, Frontier completed **<<BEGIN CONFIDENTIAL** [redacted] **END CONFIDENTIAL>>** households compared to the milestone of 100,000 households for the 25 Mbps category. Similarly, in 2018, Frontier met and exceeded each of the broadband buildout milestones: 10 Mbps service for **<<BEGIN CONFIDENTIAL** [redacted] **END CONFIDENTIAL>>** homes compared to the 50,000 household milestone; 6 Mpbs service for **<<BEGIN CONFIDENTIAL** [redacted] **END CONFIDENTIAL>>** homes compared to the 50,000 household milestone; and 25 Mbps service for **<<BEGIN CONFIDENTIAL** [redacted] **END CONFIDENTIAL>>** households compared to the 150,000 household milestone. For Frontier's 2019 6/1 Mbps commitment, the cumulative target was 100,000 households, with a commitment of 250,000 households by year-end

2022. Frontier satisfied this commitment three years early: as of December 31, 2019, Frontier completed its expansion of 6/1 Mbps service to **<<BEGIN CONFIDENTIAL** [redacted] **END CONFIDENTIAL>>** previously unserved and underserved households. In for its 2019 25/2 Mbps commitment, Frontier's cumulative target was 200,000 households and the Company deployed upgraded network for **<<BEGIN CONFIDENTIAL** [redacted] **END CONFIDENTIAL>>** households. Frontier's 2020 commitment remains on track at this time. Frontier did fall short of its 10 Mbps commitment in 2019 when it deployed to **<<BEGIN CONFIDENTIAL** [redacted] **END CONFIDENTIAL>>** households compared to the milestone of 75,000, but that underperformance was the result of, among other factors, delays in obtaining permits. Frontier has continued to focus on its buildout initiatives and is on track to make up for the temporary shortfall in its 10 Mbps commitment.

For its Northern California 10/1 Mbps commitment, Frontier's commitment is 7,000 households by year-end 2022 and its performance on this commitment is on track. To date, Frontier has made 10 Mbps available to **<<BEGIN CONFIDENTIAL** [redacted] **END CONFIDENTIAL>>**households in Northern California. This category has not been reported because of the 2022 due date but has been provided to CETF as an update. [12]

[12] In the Acquisition proceeding, Frontier also committed to participated in the FCC's CAF II program and to accept the FCC's CAF II offer of support made to Verizon. Frontier accepted the FCC's CAF II offer of support for California and the deadline to complete the CAF II buildouts as set by the FCC is December 31, 2021. As of June 30, 2020, Frontier has passed approximately **<<BEGIN CONFIDENTIAL** [redacted] **END CONFIDENTIAL>>** households. Frontier expects

Q. Is Frontier on track to meet its CAF II commitment of 10 Mbps for 90,000 households?

A. Yes. The deadline to complete the CAF II buildouts as set by the FCC is December 31, 2021. As of June 30, 2020, Frontier passed about **<<BEGIN CONFIDENTIAL [redacted] END CONFIDENTIAL>>**households, and expects to pass an additional **<<BEGIN CONFIDENTIAL [redacted] END CONFIDENTIAL>>**households by year-end, with completion of its CAF II commitment by June 30, 2021, in accordance with the terms of the FCC's CAF II program. The FCC adopted a structured compliance framework to assure rapid deployment, which allows the FCC to withhold CAF funding or claw back prior funding provided. (*Connect America Fund*, Report and Order, 29 FCC Rcd 15644 ¶¶ 142-54 (2014); 47 C.F.R. § 54.320.) The FCC has not withheld funding to, or clawed back funding from Frontier.

Q. Is Frontier on track to meet its settlement-related broadband commitments?

A. Yes. As I noted, Frontier has completed its cumulative target for 6/1 Mbps to 250,000 households three years ahead of schedule. Frontier is on track to meet its 2020 cumulative targets for 10/1 Mbps to 100,000 households and for 25/2 Mbps to 250,000 households. Finally, Frontier expects all its commitments for 2021 and 2022 to be completed.

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to pass an additional **<<BEGIN CONFIDENTIAL [redacted] END CONFIDENTIAL>>** households by year-end, and complete California CAF II commitment by June 30, 2021, in accordance with the terms of the FCC's CAF II program.

Q. In addition to these broadband deployments, does Frontier also participate in the California Advanced Services Fund ("CASF") program?

A. Yes. In fact, Frontier is the only wireline local exchange company actively participating in the CASF program. To date, Frontier has five approved grants that are in various stages of completion. On May 1, 2020, Frontier filed applications for ten additional grants. Frontier's participation in the CASF program demonstrates its continued commitment to making broadband available in the highest-cost and most rural areas of California.

Q. Should the Commission attach California-specific commitments to approval of the Restructuring, as suggested by Intervenors?[13]

A. No. Additional commitments regarding broadband deployment are unnecessary and there are no facts linking them to the Restructuring. The Commission will have unchanged oversight of Frontier's regulated services and prior commitments, and it should continue to exercise that oversight as appropriate after the Restructuring occurs. As I testified above, the telecommunications industry has changed dramatically over the last two decades, as ILEC voice subscribership across the country has slipped from approximately 90% nationwide to a market share level of less than 10% nationwide, driven by competitive losses to wireless, CLEC and cable competitors based on consumer preferences.[14] ILEC broadband subscribership is dwarfed by the market share of wireless and cable providers which appear to control more than 75% of the broadband market. Near-ubiquitous

[13] *Joint Protesters Protest*, p. 6.

wireless coverage has made wireless-only phone service a much more viable option for consumers than it has been historically. With new upgrades to 5G service, wireless operators will increasingly compete for broadband customers. Certain intervenors recommend the imposition of costly and selective conditions on Reorganized Frontier but without similar conditions for the dominant competitors in Frontier's markets. Moreover, such conditions, were they to be imposed by the Commission, would result in an unnecessary impairment of Frontier's operating flexibility, thus harming its ability to compete effectively in the marketplace. Given the challenging market dynamics that ILECs face, as summarized above, imposing unilateral conditions on Frontier would only create discriminatory and distortionary impacts, diminishing the public interest benefits of the Restructuring. There is no new risk to the public interest as a result of the Restructuring, that is, no risk that should be managed or mitigated through the introduction of new regulatory conditions. The Restructuring will unquestionably strengthen Applicants by providing more financial flexibility and stability, and the Commission should not dilute those benefits by introducing costly and burdensome carrier-specific requirements for Frontier.

VI. CONCLUSION AND SUMMARY

Q, Please summarize your testimony.

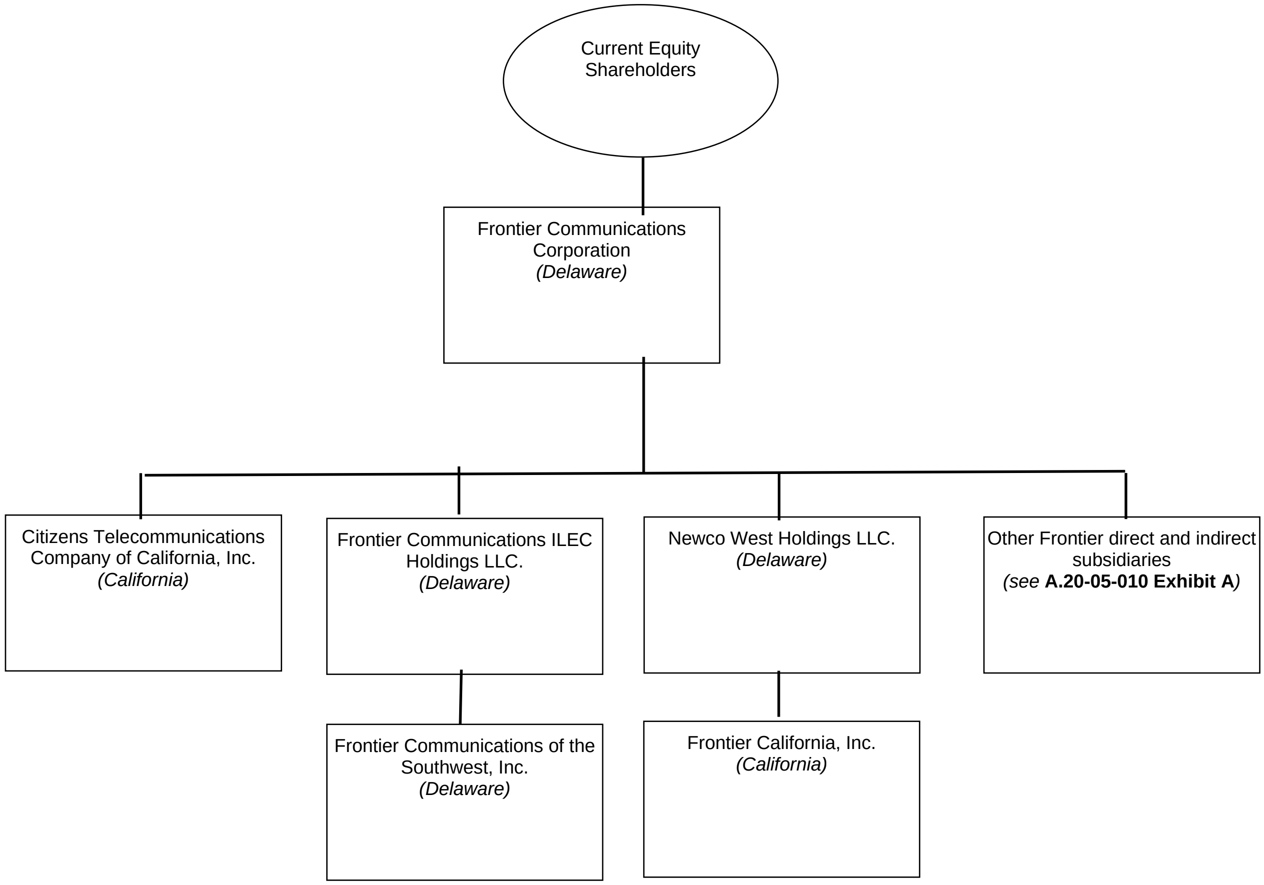
A. Frontier has developed a Plan that provides for the reduction of its debt by more than $10 billion from the pre-petition level of approximately $17.5 billion. This reduction in debt through the Chapter 11 process will allow Frontier to become a more effective competitor in the telecommunications market and a stronger service provider for the benefit of its customers and other stakeholders. The Restructuring is clearly in the public interest and the Commission should approve Frontier's Application without any conditions or new obligations.

Q. Does this conclude your testimony?

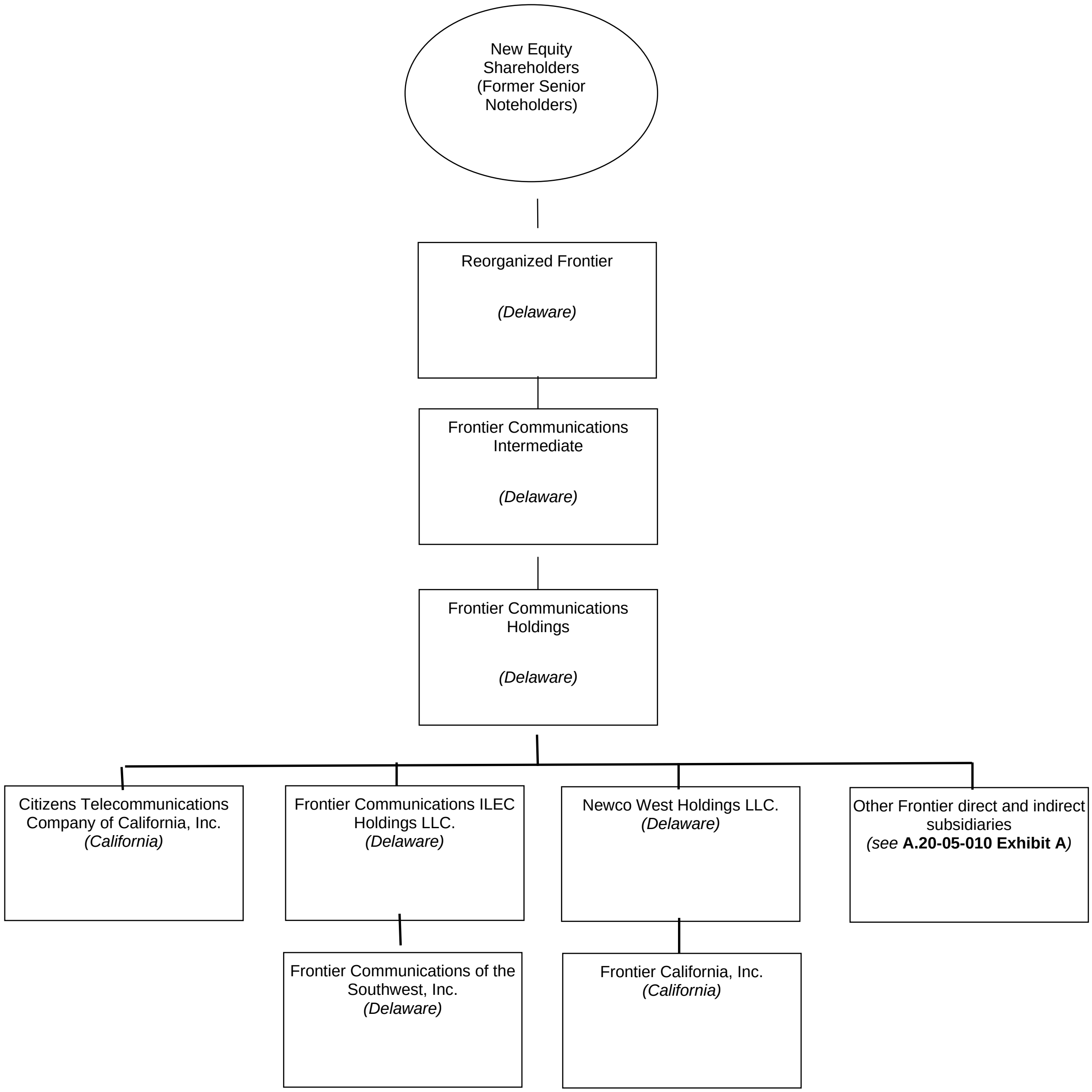
A. Yes, it does.

APPENDIX A: DIAGRAMS AND REFERENCE ITEMS

Appendix A: Pre-Emergence Corporate Structure



Appendix A: Post-Emergence Corporate Structure



APPENDIX B: DEBTOR'S PRO FORMA CAPITAL STRUCTURE

Appendix B: Debtor's Pro Forma Capital Structure

($ in millions)

Creditor Class	Claim[1]	Cash Distributed	New Debt Received[1]: 1L Debt	New Debt Received[1]: 2L Debt	New Debt Received[1]: Subsidiary Debt	New Debt Received[1]: Senior Notes	Pro Forma Equity Ownership[4]
Revolver	$749	$749	$ -	$ -	$ -	$ -	0%
Term Loan B	1,695	-	1,695	-	-	-	0%
1L Notes and Other[2]	1,664	-	1,664	-	-	-	0%
2L Debt	1,600	-	-	1,600	-	-	0%
Subsidiary Debt[3]	856	-	-	-	856	-	0%
Senior Notes	10,949	TBD[5]	-	-	-	750[6]	100%
Equity	NA	-	-	-	-	-	0%
Total	$17,513	$749	$3,359	$1,600	$856	$750	100%

1. For illustrative purposes, reflects principal balance excluding accrued interest and amortization during the bankruptcy
2. Includes $1.65 billion of First Lien Notes and $14 million of Industrial Development Revenue Bonds
3. Includes $750 million of subsidiary Unsecured Notes, $100mm of subsidiary Secured Notes and $6 million of RUS Loan Contracts (secured)
4. Subject to dilution from MIP provided for in term sheet.
5. Senior Notes receive excess cash above $150mm at Effective Date; refer to term sheet for detail attached as Exhibit B to **Exhibit B** (the Restructuring Support Agreement).
6. Refer to term sheet for detail on terms attached as Exhibit B to **Exhibit B** for terms of Take-Back debt.

APPENDIX C: PENDING APPROVAL REQUESTS

Appendix C: Pending Approval Requests

State Agency	Docket No.	Filing Date	Anticipated Date for PUC Action/Approval
Arizona Corporation Commission	T-01954A-20-0144	May 21, 2020	October 2020
Connecticut Public Utilities Regulatory Authority	20-04-31	May 22, 2020 (re-filed July 1, 2020)	November 2020
Illinois Commerce Commission	20-0476	May 21, 2020	August 2020
Mississippi Public Service Commission	20-UA-62	May 29, 2020	August 2020
Minnesota Public Utilities Commission	20-517	May 22, 2020	October 2020
Nebraska Public Service Commission	C-5132	May 21, 2020	Approved July 14, 2020
Public Utilities Commission of Nevada	20-05023	May 21, 2020	Approved July 27, 2020
New York Public Service Commission	Matter # 20-00866, Case # 20-C-0267	May 22, 2020	November 2020
The Public Utilities Commission of Ohio	N/A	June 24, 2020	Deemed approved with filing
Pennsylvania Public Utilities Commission	A-202-3020004-14	May 22, 2020	August 2020
Public Service Commission of South Carolina	2020-136-C	May 22, 2020	Approved June 10, 2020
Public Service Commission of Utah	20-2218-01 (FCA), 20-041-02 (Frontier Utah), and 20-050-02 (Navajo)	May 22, 2020	Accepted Frontier's position that approval is not required
Virginia State Corporation Commission	PUR-2020-00098	May 22, 2020	August 2020
Public Service Commission of West Virginia	20-0400-T-PC	May 21, 2020	November 2020