

CJS/KJB/sc6 6/24/2015



FILED
6-24-15
03:39 PM

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Joint Application of Frontier Communications Corporation, Frontier Communications of America, Inc. (U5429C), Verizon California, Inc. (U1002C), Verizon Long Distance LLC (U5732C), and Newco West Holdings LLC for Approval of Transfer of Control Over Verizon California, Inc. and Related Approval of Transfer of Assets and Certifications.

Application 15-03-005
(Filed March 18, 2015)

**AMENDED ASSIGNED COMMISSIONER AND ADMINISTRATIVE LAW
JUDGE'S SCOPING RULING**

Background

On March 18, 2015, Frontier Communications Corporation ("Frontier"), Frontier Communications of America, Inc. (U 5429 C) ("Frontier America"), Verizon California Inc. (U 1002 C) ("Verizon California"), Verizon Long Distance, LLC (U 5732 C) ("Verizon LD"), and Newco West Holdings LLC (collectively, "Joint Applicants") filed this application for Commission approval of the sale and transfer of Verizon California, certain assets held by Verizon California, and Verizon LD's customer accounts in Verizon California's service territory to Frontier. If the transaction is approved, approximately 2.2 million customers of Verizon California will become customers of Frontier. Certain customers of Verizon LD will become customers of Frontier America. The assets to be transferred include, in addition to the customer accounts, the physical assets of

Verizon California such as poles, wires, switches, trucks, central offices and the like.

On April 27, 2015 the Application was protested by the California Association of Competitive Telecommunications Companies (CalTel), the Center for Accessible Technologies (CforAT), The Greenlining Institute (Greenlining), The Utility Reform Network (TURN), Communication Workers of America (CWA), and the Commission's Office of Ratepayer Advocates (ORA). On the same date, Cox California Telcom LLC (Cox) filed a response to the Application. On May 7, 2015, Joint Applicants filed a reply to the protests. On June 10, 2015 the assigned Administrative Law Judge (ALJ) and the assigned Commissioner jointly presided over a prehearing conference (PHC). At the PHC, the parties discussed the potential scope of the proceeding and agreed on a preliminary schedule which is set out in Section III of this Scoping Ruling. On June 5, 2015 the ALJ issued a ruling setting a series of workshops and Public Participation Hearings (PPHs) to be held throughout Verizon's California service territory during the next two months. Locations and times for the workshops and PPHs are set out in the ALJ's June 5 ruling.

Scope of Proceeding

Joint Applicants acknowledge that the Commission has jurisdiction to review the proposed transfer of Verizon's landline business to Frontier. In considering what should be the proper scope of that review, I have taken the following factors into consideration:

- I. The ultimate test of a proposed change of control over a regulated service such as the Verizon landline business is whether or not it is in the public interest. The public interest is broader than the interest of Verizon's customers in the price and quality of the services they will

receive from Frontier should the Application be granted. At the least, we must be able to say that the proposed transaction is overall net beneficial in its impact on the various affected constituencies.

Section 854(b) of the Public Utilities Code also applies to this proposed sale:

Before authorizing the merger, acquisition, or control of any electric, gas, or telephone utility organized and doing business in this state, where any of the utilities that are parties to the proposed transaction has gross annual California revenues exceeding five hundred million dollars (\$500,000,000), the commission shall find that the proposal does all of the following:

- (1) Provides short-term and long-term economic benefits to ratepayers.
- (2) Equitably allocates, where the commission has ratemaking authority, the total short-term and long-term forecasted economic benefits, as determined by the commission, of the proposed merger, acquisition, or control, between shareholders and ratepayers. Ratepayers shall receive not less than 50 percent of those benefits.
- (3) Not adversely affect competition. In making this finding, the commission shall request an advisory opinion from the Attorney General regarding whether competition will be adversely affected and what mitigation measures could be adopted to avoid this result.

In addition to making these mandated findings of Public Utilities Code Section 854(b), the Commission must also consider and weigh the criteria enumerated in Public Utilities Code Section 854(c) and “find, on balance, that the merger, acquisition, or control proposal is in the public interest.” The factors to be considered and weighed in making a public interest determination under Section 854(c) include whether the proposed transaction will:

- (1) Maintain or improve the financial condition of the resulting public utility doing business in the state.
- (2) Maintain or improve the quality of service to public utility ratepayers in the state.
- (3) Maintain or improve the quality of management of the resulting public utility doing business in the state.
- (4) Be fair and reasonable to affected public utility employees, including both union and nonunion employees.
- (5) Be fair and reasonable to the majority of all affected public utility shareholders.
- (6) Be beneficial on an overall basis to state and local economies, and to the communities in the area served by the resulting public utility.
- (7) Preserve the jurisdiction of the commission and the capacity of the commission to effectively regulate and audit public utility operations in the state.
- (8) Provide mitigation measures to prevent significant adverse consequences which may result.

II. At the PHC, the ALJ presented, and the participants discussed, a list of potential topics for inclusion in the scope of this proceeding. Because the ALJ's list fairly addresses the concerns of the governing statute, I have adopted it with some modifications as the scope of this proceeding:

1. What is the current physical condition of the Verizon landline network?
2. How capable is Frontier of absorbing 2.2 million additional customers? Does Frontier have adequate staff and facilities to scale up to the necessary size?

3. What are the financial implications of the transaction for Frontier?
4. What are the service quality and 911 implications of the transaction for Frontier's existing and its newly acquired customers?
5. How compatible are the Frontier and Verizon systems and equipment, including
 - a. Switches and routers
 - b. Interconnection and central office equipment and staffing
 - c. Customer premises equipment
 - d. Accounting and record keeping systems
 - e. IP-enabled and broadband infrastructure systems and equipment
 - f. Back office and operations support systems
 - g. Poles, towers, and microwave facilities
 - h. Customer support and call-center facilities
6. What is the impact of the transaction on competition for Voice Over Internet Protocol (VoIP) and broadband services?
7. What is the impact of the transaction on universal service programs including the California High Cost B-Fund, the California Advanced Services Fund, the Connect America Fund (managed by the FCC), California LifeLine and Federal Lifeline, the Deaf and Disabled Trust Program, and the California Teleconnect Fund?
8. What are the employment implications of the transaction for Verizon employees, Frontier employees, and the Communication Workers of America?
9. What are the implications of the transaction for the Commission's jurisdiction?

10. Are there any safety concerns raised by the proposed transfer of control?

Schedule of Proceeding

The following schedule is hereby adopted:

Scoping Memo	June 24, 2015
Intervenor Reply Testimony	July 28, 2015
Applicant’s Rebuttal Testimony	August 24, 2015
Joint Supplemental Testimony	September 1, 2015
Evidentiary Hearings (if necessary)	To be determined
Joint Supplemental Reply Testimony	September 8, 2015
Joint Opening Briefs	September 29, 2015
Joint Reply Briefs	October 13, 2015
Proposed Decision	November 16, 2015
Commission Decision	December 17, 2015

The case will be submitted upon receipt of reply briefs, unless the Administrative Law Judge or assigned Commissioner directs further evidence or argument.

It is the Commission’s intent that this case will be completed within 18 months of the date of this scoping memo.

Categorization and Need for Hearing

The application was preliminarily categorized as ratesetting, and it was preliminarily determined that evidentiary hearings are required. We affirm the preliminary category and hearing determination.

Presiding Officer

Administrative Law Judge Karl J. Bemesderfer is designated as the Presiding Officer.

Ex Parte Communications

Ex parte communications with decision makers are permitted subject to the notice and reporting requirements and other provisions of Rules 8.3 and 8.4 of the Commission’s Rules of Practice and Procedure.

Intervenor Compensation

Pursuant to Rule 17.1(a)(1) of the Commission’s Rules of Practice and Procedure, notices of intent to claim intervenor compensation must be filed no later than July 10, 2015.

Therefore, **IT IS RULED THAT:**

1. The scope and schedule of this proceeding are as set forth in the body of this scoping ruling.
2. Administrative Law Judge Karl Bemederfer is the Presiding Officer in this proceeding.
3. Ex parte rules 8.3 and 8.4 apply to this proceeding.
4. This proceeding is characterized as ratesetting, and evidentiary hearings are required.
5. Notices of intent to claim compensation must be filed no later than July 10, 2015.
6. The Administrative Law Judge may modify the schedule of this proceeding as needed for efficient and effective case management.

Dated June 24, 2015, at San Francisco, California.

/s/ CATHERINE J.K. SANDOVAL
Catherine J.K. Sandoval
Assigned Commissioner

/s/ KARL J. BEMESDERFER
Karl J. Bemederfer
Administrative Law Judge