Verizon and Frontier Win FCC Approval of Transfer of 4.8 Million Lines; Approval Subject to Certain Conditions

Legal Alert
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The Federal Communications Commission (FCC) has approved the transfer of 4.8 million lines in primarily rural and smaller-city areas to Frontier Communications Corp. from Verizon Communications Inc. The lines at issue are used primarily for local residential and business telephone service, long-distance telephone service, wholesale service, and broadband Internet service. The FCC concluded that, with certain conditions imposed on the parties to mitigate potential harms, the likely public interest benefits of the transaction far outweigh the potential public interest harms, and that the transaction therefore serves the public interest. *See In the Matter of Application Filed by Frontier Communications Corporation and Verizon Communications Inc. for Assignment or Transfer of Control*, WC Docket No. 09-95, FCC 10-87, Memorandum Opinion and Order (rel. May 21, 2010).

The FCC's approval of the transaction was subject to certain requirements and voluntary commitments, including:

Operations Support Systems: Frontier has committed to maintain wholesale functionality, performance and e-bonding at a level that is at least comparable to what Verizon is providing prior to the close of the transaction. Frontier also agrees to notify the FCC and seek input from CLECs on any changes in wholesale functionality or e-bonding at least 180 days before transitioning from Verizon's OSS or cancelling its maintenance contract with Verizon. Frontier also agrees to establish and report to the FCC, on a quarterly basis, a series of OSS performance metrics designed to ensure an appropriate level of OSS performance in the legacy GTE area after closing. For its part, Verizon has voluntarily committed to establish and report to the FCC, on a weekly basis, a series of OSS performance metrics designed to ensure an appropriate level of OSS performance in the legacy GET area during the period between the adoption of the FCC's Order and closing, and to hold weekly calls with CLECs until closing to address OSS issues.

Interconnection Agreements and Obligations: Frontier has voluntarily committed to assume those interconnection agreements between Verizon and other carriers that relate to service wholly within the new Frontier areas, and to put in place new interconnection agreements on substantially the same terms and conditions so as not to disrupt existing arrangements where existing interconnection agreements relate in part to services outside the transaction service area. In addition, Frontier has committed to honor all obligations under Verizon incumbent

LEC’s current interconnection agreements, wholesale tariffs, and other existing wholesale arrangements that are in affect at closing. Frontier has committed not to assert that it is exempt from section 251(c) obligations pursuant to section 251(f)(1) in the areas transferred from Verizon that are rural telephone companies outside of West Virginia, or to move or reclassify any exchanges or wire centers currently located in Verizon’s West Virginia’s legacy service areas so as to take advantage of the rural exemption under section 251(f)(1) of the Communications Act.

Wholesale Pricing and Fees: In response to certain parties’ concerns that post-transaction Frontier might raise wholesale prices in the transaction service area above the rates currently offered by Verizon, Frontier has committed to honor all obligations under Verizon’s current wholesale tariffs and other wholesale arrangements that are in effect at closing, including adhering to Verizon’s Statement of Rates for UNEs, and not discontinuing any wholesale service offered to competitive carriers as of the transaction closing date. Frontier has committed not to seek to recover one-time transfer, branding, transaction costs, or management costs associated with the transaction through wholesale service rates. Both Verizon and Frontier have committed to adjust all revenue commitments and volume thresholds for retail enterprise and wholesale customers with volume and term agreements so that customers that maintain the volumes they currently purchase in the transaction service area and Verizon’s remaining states, respectively, will continue to qualify for the same volume discounts in their respective areas.

Regulatory Status of Frontier in West Virginia: In response to several parties’ urging that the FCC classify Frontier as a Bell Operating Company with respect to the West Virginia exchanges it is acquiring from Verizon, the FCC has determined that Frontier is a successor to the former Chesapeake and Potomac Telephone Company of West Virginia, and is therefore responsible for all obligations that apply to BOCs under the Communications Act.

Fiber-Based Video Services: In response to the concern regarding Frontier’s willingness and ability to continue providing fiber-based video services in the transaction market area, Frontier has committed that it will continue to provide video services in affected areas after complete of the merger, and that it will honor all of the build-out commitments for the FiOS service areas it is purchasing from Verizon.