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**DEPARTMENT OF JUSTICE**  
GENERAL COUNSEL DIVISION

December 17, 2009

Attention: Filing Center  
Public Utility Commission of Oregon  
550 Capitol St NE – Suite 215  
Salem OR 97301  
[puc.filingcenter@state.or.us](mailto:puc.filingcenter@state.or.us)

Re: *In the Matter of VERIZON COMMUNICATIONS INC. and FRONTIER COMMUNICATIONS CORPORATION Joint Application for an Order Declining to Assert Jurisdiction Over, or, in the Alternative, Approving the Indirect Transfer of Control of Verizon Northwest Inc.*  
PUC Docket No. UM 1431  
DOJ File No. 860-105-GP0053-09

Enclosed for filing are an original and five copies of Staff's Testimony in Support of imposition of most-favored state condition in the above-captioned matter for filing with the PUC for today.

Sincerely,

Jeffery Seeley  
Legal Secretary  
Natural Resources Section for  
Regulated Utility & Business Section

JRS:jrs/JUSTICE-#1785880  
Enclosures

C: UM 1431 Service list

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 700**

In the Matter of VERIZON	)	
COMMUNICATIONS INC. and	)	
FRONTIER COMMUNICATIONS	)	STAFF'S TESTIMONY IN SUPPORT
CORPORATION Joint Application for	)	OF IMPOSITION OF MOST-FAVORED
an Order Declining to Assert	)	STATE CONDITION
Jurisdiction Over, or, in the	)	
Alternative, Approving the Indirect	)	
Transfer of Control of Verizon	)	
Northwest Inc.	)	

**December 17, 2009**

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.**

2 A. My name is Michael Dougherty. I am the Program Manager for the Corporate  
3 Analysis and Water Regulation Section of the Public Utility Commission of  
4 Oregon ("Commission"). My business address is 550 Capitol Street NE, Suite  
5 215, Salem, Oregon 97301-2551.

6 **Q. ARE YOU THE SAME MICHAEL DOUGHERTY WHO HAS PREVIOUSLY**  
7 **FILED TESTIMONY, AND ACCOMPANYING EXHIBITS, IN THIS**  
8 **PROCEEDING?**

9 A. Yes, I am.

10 **Q. WHAT IS THE PURPOSE OF THIS SUPPLEMENTAL TESTIMONY?**

11 A. Most parties in this case have entered into what has been termed the "Global  
12 Stipulation." The Global Stipulation has been entered into the record and the  
13 parties intend to file Joint Supporting Testimony for the Global Stipulation on  
14 December 17, 2009. Per the terms of the Global Stipulation, the parties  
15 reserved the right to advocate for, or object to, the imposition of what is  
16 commonly referred to as a "Most Favored States" (MFS) clause. On behalf of  
17 Commission Staff ("Staff"), I urge the Commission to include an MFS clause in  
18 any order issued approving the Joint Application filed in this proceeding by  
19 Verizon Communication Inc. (Verizon) and Frontier Communications  
20 Corporation (Frontier) (collectively, "Joint Applicants").

21 **Q. PLEASE SET FORTH THE MSF CLAUSE THAT STAFF RECOMMENDS THE**  
22 **COMMISSION MANDATE IN THIS PROCEEDING.**

23 A. In Staff/100, Dougherty/60, my previously-filed testimony that has been entered  
24 into the record in this proceeding, I recommended the Commission mandate the  
25 following MFS clause:

26 **Frontier agrees that the Conditions may be expanded or modified as a  
result of regulatory decisions in other states, including decisions based**

1 upon settlements, that impose conditions or commitments related to this  
2 transfer proposal. Frontier agrees that the Commission may adopt any  
3 commitments or conditions from other states that are adopted after the  
4 final order in UM 1431 is issued that are related to addressing harms of  
5 this transaction if:

- 6
- 7 a. The commitment or condition does not result in the combined  
8 company being required to provide a “net benefit” and either
    - 9 i. The Commission or Staff had not previously identified the  
10 harm to Oregon ratepayers; or
    - 11 ii. The commitments or conditions in a final order of another  
12 state are more effective at preventing a harm previously  
13 identified by the Commission or Staff.

14 Should new commitments or conditions meeting the requirements of  
15 subsections a.i. or a.ii. of this paragraph occur, Frontier will commit to the  
16 following process to facilitate a prompt decision from the Commission  
17 under this section:

- 18 b. Within fifteen (15) calendar days after a final order adopting a new  
19 condition or stipulation with new or amended commitments by a  
20 commission in another state jurisdiction, Frontier will send a copy of  
21 the stipulation and commitment to Oregon Commission staff and to  
22 all parties in UM 1431.
- 23 c. Frontier will notify the Commission that they have received the last  
24 such final order from other states adopting new conditions,  
25 stipulations or commitments (the “Final Filing”) within fifteen (15)  
26 calendar days of receipt and send it to Staff and all UM 1431  
parties.
- 27 d. Within ten calendar days after the last such filing from the other  
28 states (“Final Filing”), any party to this proceeding may file with the  
29 Commission its response, including its position as to whether any of  
30 the covenants, commitments and conditions from the other  
31 jurisdictions (without modification of the language thereof except  
32 such non-substantive changes as are necessary to make the  
33 commitment or condition applicable to Oregon), meets the three  
34 requirements set forth above, and should be adopted in Oregon.  
35 Any party filing such a response should serve it upon the UM 1431  
36 parties.

37 Within five calendar days after any such response filing, the Applicants may file  
38 a reply with the Commission. If the 5th calendar day falls on Saturday, Sunday,  
39 or a holiday, the next business day will be considered as the 5th day. The  
40 Applicants shall serve any such reply upon the UM 1431 parties.

1 **Q. WHY DO YOU CONTINUE TO RECOMMEND THAT THE COMMISSION**  
2 **MANDATE THIS, OR A SIMILAR, MFS CLAUSE?**

3 A. This condition is consistent with the condition included in the CenturyTel/Embarq  
4 Merger Commission Order No. 09-169 (UM 1416). Additionally, most favored  
5 state conditions were also included in the UM 1209 (PacifiCorp/MEHC) and UM  
6 1283 (Cascade Natural Gas/MDU Resources) stipulations.

7 The primary reason for including such a clause in these prior proceedings, a  
8 reason which continues to hold true for the current proceeding, is the  
9 Commission's order may be issued earlier in time than other states which also  
10 have proceedings to consider approval of the Joint Applicant's transaction in their  
11 state. As such, the MFS clause allows the Commission to adopt, under certain  
12 circumstances delineated in the clause, any commitments or conditions from other  
13 states that are adopted after the final order in UM 1431 is issued that are related to  
14 addressing any harms of this transaction.

15 For example, Staff and the intervenors, despite their efforts to do so, may have  
16 not identified a risk of the transaction that is identified and remedied with a  
17 condition in other states. Or, another state may address a risk that was identified  
18 in UM 1431 with a better-crafted condition. The MFS clause will allow the  
19 Commission, pursuant to the terms of the clause, to impose such other-state  
20 conditions after the Commission issues its order approving the transaction in  
21 Oregon.

22 Further, as Citizens' Utility Board ("CUB") witness Bob Jenks testified at the  
23 hearing held on December 3, 2009, the absence of a MFS clause would give state  
24 commissions, including this one, an incentive to not approve the transaction until  
25 all other state commissions had "gone first." Clearly, if all states acted in this  
26 manner, the proceedings to approve the transaction would never conclude as

1 each state tried to “outwait” the other states. In this way, the MFS clause may be  
2 viewed as the price the Joint Applicants must pay in order to get an early  
3 resolution of their Joint Application in Oregon.

4 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

5 A. Yes, other than to note that, should the Commission decide to mandate an MFS  
6 clause, the one proposed by staff would need to be modified to remove all  
7 references to “Frontier agrees” as the clause will be imposed over Frontier’s  
8 previously-stated objection.

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## UM 1431 – CERTIFICATE OF SERVICE

I hereby certify that on the 17<sup>th</sup> day of December 2009, I served the STAFF'S TESTIMONY IN SUPPORT OF IMPOSITION OF MOST-FAVORED STATE CONDITION upon the persons named on the service list, by mailing a full, true and correct copy thereof to such persons waiving such service by mail who were served at their e-mail address as listed on the service list.

**(W denotes waiver of paper service)**

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**(C denotes service of Confidential material authorized)**

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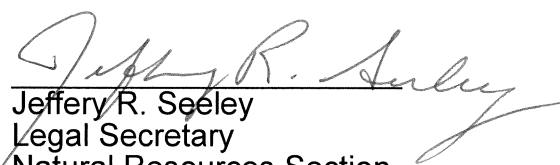
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DATED: December 17, 2009

  
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