

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1431

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.

ORDER

DISPOSITION: REQUEST FOR EXTENSION OF TIME GRANTED

On February 24, 2010, the Public Utility Commission of Oregon (Commission) issued Order No. 10-067 approving the Joint Application of Verizon Communications Inc. and Frontier Communications Corporation to transfer control of Verizon Northwest, Inc. to Frontier. Included in the order were numerous conditions.

On August 23, 2010, Frontier Communications Northwest, Inc. (Frontier Northwest) filed a request for partial waiver of conditions in Order No. 10-067. The filing requested the Commission to waive certain limited parts of Condition No. 12 and Condition No. 52 relating to financial reporting previously agreed to by Commission Staff. A description of the filing and its procedural history is contained in the Staff Report, attached as Appendix A, and incorporated by reference.

Staff recommends the Commission grant Frontier Northwest an extension of time for Frontier Northwest to comply with Condition No. 52 of Commission Order No. 10-067 from the stated 90 days after the close of the transaction, until October 31, 2011, and apply the same time extension for Condition No. 12.


At its Public Meeting on October 12, 2010, the Commission adopted Staff's Recommendation for an extension of time.

ORDER

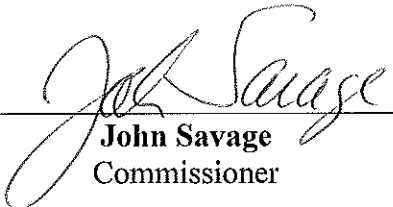
IT IS ORDERED that:

1. Frontier Communications Northwest Inc.'s request for extension of time is granted.
2. Frontier Communications Northwest Inc.'s time to comply with Condition No. 52 of Commission Order No. 10-067 is extended until October 31, 2011.
3. Frontier Communications Northwest Inc.'s time to comply with Condition No. 12 of Commission Order No. 10-067 is extended until October 31, 2011.

Made, entered, and effective OCT 18 2010 .



Ray Baum
Chairman



John Savage
Commissioner



**COMMISSIONER ACKERMAN WAS
UNAVAILABLE FOR SIGNATURE**
Susan K. Ackerman
Commissioner

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

ITEM NO. CA5

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 12, 2010**

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: September 16, 2010

TO: Public Utility Commission

FROM: Michael Dougherty *MD*

THROUGH: Lee Sparling *LS* and Marc Hellman *MH*

SUBJECT: VERIZON COMMUNICATIONS INC AND FRONTIER COMMUNICATIONS CORPORATION: (Docket No. UM 1431) Joint Application for an Order Declining to Assert Jurisdiction, or in the Alternative, Approving the Indirect Transfer of Control of Verizon Northwest Inc.

STAFF RECOMMENDATION:

Staff recommends that the Commission extend the time for Frontier Communications Northwest Inc. (Frontier Northwest or Company) to comply with Condition 52 of Commission Order No. 10-067 from the stated 90 days after the close of the transaction, until October 31, 2011. This same time extension is recommended for Condition No. 12.¹

DISCUSSION:

Background

On February 24, 2010, the Commission issued Order No. 10-067 approving the Joint Application of Verizon Communications Inc. (Verizon) and Frontier Communications Corporation (Frontier) to transfer control of Verizon Northwest, Inc. (Verizon Northwest) to Frontier. Included in the order were numerous conditions.

On August 23, 2010, Frontier Northwest filed a request for partial waiver of conditions in Order No. 10-067. The filing requested the Commission to waive certain limited parts of Condition No. 12 and Condition No. 52 relating to financial reporting previously agreed to by Staff and the Applicants.

¹ Condition No. 12 did not have a stated filing timeframe.

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Condition No. 12 stated:

Under the current operating structure, financial reporting will remain unchanged with each Operating Company submitting a Form-O and a Form-I.

Condition No. 52 stated:

Within 90 days after the close of this transaction, Frontier Northwest will file with the Commission affiliated interest agreements including an updated Cost Allocation Manual for services that reflect as charges and credits to operating accounts in CTCO's and Frontier Northwest's Form O.

According to Frontier Northwest, Verizon Northwest (renamed as Frontier Northwest) had not been filing the Form-I with the Commission from the time the Federal Communications Commission (FCC) issued Order, FCC 08-271, forbearing Verizon Northwest from regulation and granting relief from legacy accounting and reporting requirements. As a result of the FCC order, Verizon Northwest had not been collecting the underlying data to complete the report.

Additionally, according to the application, the FCC forbearance order also relieved Verizon Northwest of Cost Assignment Rules that had imposed detailed substantive accounting obligations including the Cost Allocation Manual (CAM). As a result, Verizon Northwest no longer submitted an Oregon specific CAM to the Commission.

According to the Company, requiring Frontier Northwest to manually create these reports would be very time consuming, costly, and requiring the underlying data that is no longer collected or prepared by Frontier Northwest.

Staff's Position

Although Staff does not disagree with the Company's points concerning the waiver, Staff believed during the docket negotiations and continues to believe that these reports are necessary and useful for Staff in order to have access to certain financial data. Staff uses the Form-I most notably, during rate applications. Concerning the CAM, Staff would review the CAM during affiliated interest filings and during any future rate case filing.

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Resolution

The Company, Staff, and the Citizens' Utility Board of Oregon (CUB) ("Active Parties") met on September 9, 2010, to discuss a cooperative resolution to the waiver request.² As a result of discussions, the Active Parties agreed to recommend that the Commission extend the time for the Company to comply with Condition No. 52, from the stated 90 days after the close of the transaction, until October 31, 2011. This same time extension was recommended for Condition No. 12.³

The Active Parties selected October 31, 2011, to coincide with the three-year, periodic review of similar studies filed by the rural companies. The Active Parties also agreed that the Company would only be required to file the Form-I and CAM on a three-year cycle, which would also coincide with the three-year periodic review. The Active Parties believe this is a fair resolution as it:

1. Allows the Company more time to collect the underlying data for both the Form-I and CAM; and
2. Satisfies Staff's requirement to review the financial data periodically as it needs this information for potential future rate cases, affiliated interest applications, and for annual affiliated interest reporting.

Although the Condition No. 52 filing deadline would have occurred on October 1, 2010, the Active Parties were engaged in good faith discussions on September 9, 2010. Accordingly, the Active Parties agreed to recommend the Commission extend the date to comply with Condition No. 52 from the current October 1, 2010, filing deadline.

PROPOSED COMMISSION MOTION:

The Commission extend the time for Frontier Northwest to comply with Condition 52 of Commission Order No. 10-067 from the stated 90 days after the close of the transaction, until October 31, 2011, and apply this same time extension for Condition No. 12.

pmm UM 1431 waiver request

² All other parties to UM 1431 were invited to participate; however, only CUB, Staff, and the Company participated.

³ Condition No. 12 did not have a stated filing timeframe.