

ORDER NO. 12 104

ENTERED MAR 27 2012

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1431

In the Matter of

FRONTIER COMMUNICATIONS
NORTHWEST INC.

Petition to Release Funds from Broadband
Escrow Account.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its Public Meeting on March 27, 2012, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter, attached as Appendix A.

BY THE COMMISSION:



A handwritten signature in black ink, appearing to read "Becky L. Beier", is written over a horizontal line.

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order under 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 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 27, 2012**

REGULAR _____ CONSENT X EFFECTIVE DATE _____ NA _____

DATE: March 16, 2012

TO: Public Utility Commission

FROM: Irvin Emmons *IE*

THROUGH: Bryan Conway *BC* and Marc Hellman *MH*

SUBJECT: FRONTIER COMMUNICATIONS NORTHWEST INC.: (Docket No. UM 1431) Second Petition to Release Funds from Broadband Escrow Account – Order No. 10-067.

STAFF RECOMMENDATION:

Staff recommends that Frontier Communications Northwest Inc's (Frontier) petition to release funds in the amount of \$1,916,466 from the broadband escrow account be granted.

DISCUSSION:

On February 22, 2012, and in compliance with Appendix A, Condition No. 14 of Order No. 10-067 (Order), Frontier petitioned the Public Utility Commission of Oregon (Commission) for approval to release funds held in the escrow account that was established to fulfill its broadband commitment. Detailed expenditure information provided with the petition is considered confidential by Frontier and the company requested that it be treated as such.

Background

Pursuant to Commission Order, on July 1, 2010, indirect control of Verizon Northwest Inc. was transferred to Frontier Communications Corporation. In the Order, the Commission required Frontier to expend a total of \$25 million on broadband deployment in Frontier's service territory in Oregon (Broadband Commitment). As required by the Order, Frontier was to prudently expend \$10 million on broadband improvements before July 1, 2011, and to also deposit an additional \$15 million in an escrow account (Account), approved by the Commission, to fulfill the broadband commitment.

UM 1431
March 16, 2012
Page 2

Frontier deposited the \$15 million in the Account as required, retaining deposited funds and interest thereon, until Frontier meets and completes the Broadband Commitment required in Condition No. 14. However, the Commission, at its discretion, may approve any part or all of a request by the company for a release of funds from the Account.

Frontier completed the initial \$10 million broadband expenditure as confirmed in the submitted quarterly report presented on July 27, 2011. This report detailed the broadband deployment through June 30, 2011. Frontier represents that the actual amount spent by June 30, 2011 was \$10,878,648.

The \$15 million held in the Account must be spent by July 1, 2013. Frontier is allowed to request, no more frequently than on a quarterly basis, the release of funds from the Account to the full control of Frontier.

On November 22, 2011, and in compliance with Appendix A, Condition No. 14 of the Order, Frontier petitioned the Commission for approval to release funds held in the escrow account that was established to fulfill its broadband commitment. Funds were released on December 30, 2011 from the Escrow Funds and disbursed to Frontier in the amount of \$4,372,761 as authorized by Commission Order No. 11-525 (UM 1431) and based upon Frontier's work on broadband projects through September 2011 (3Q11).

Frontier is now specifically asking the Commission to release \$1,916,466 based upon Frontier's work on broadband projects through December 2011 (4Q11). This amount was confirmed in the fourth quarter 2011 Compliance Filing dated January 30, 2012. This is the company's second request for the release of funds from the Account.

Conclusion

Staff has reviewed the detailed Frontier Broadband Infrastructure Improvements quarterly reports. Requirements as set forth in Condition 14 were verified. Since Frontier has met the applicable requirements of Condition 14, and the amount of money requested is properly documented, Staff recommends approval of Frontier's request for the release of the escrow funds from the Account in the amount of \$1,916,466.

PROPOSED COMMISSION MOTION:

Frontier's petition to release funds in the amount of \$1,916,466 from the broadband escrow account be granted.