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March 17, 2016

VIA FEDERAL EXPRESS

Mr. Gary Widerberg, Administrator
Utah Public Service Commission
Heber M. Wells Building
160 East 300 South
Salt Lake City, UT 84111

Re: *Notification of the Indirect Transfer of Control of XO Communications Services, LLC from XO Holdings to Verizon Communications, Inc.*

Dear Mr. Widerberg:

This letter is to advise the Commission of the proposed indirect transfer of control of XO Communications Services, LLC (“XO Communications”) from XO Holdings to Verizon Communications Inc. (“Verizon”) (collectively “the Parties”). As discussed in greater detail below, this transaction does not require prior Commission approval because it does not involve the merger of one public utility with another, and no transfer of authorization, assets or customers of a Utah public utility will result from the indirect transfer of control. Nevertheless, because several Utah telecommunications companies are indirectly involved, the Parties are providing the Commission with a brief description of the transaction.

Parties to the Transaction

XO Holdings and XO Communications

XO Communications holds authority from the Commission to offer resold and facilities-based interexchange and resold local exchange telecommunications services throughout Utah. See Docket Nos. 95-2208-01 and 02-2208-01.¹ As described in Attachment 1, the company is a

¹ XO Communications notified the Commission of its conversion to an LLC and name change to “XO Communications Services, LLC” by letter dated November 9, 2011.

wholly-owned direct subsidiary of XO Communications, LLC (“XO”), which in turn is a wholly-owned direct subsidiary of XO Holdings, a Delaware general partnership headquartered in Herndon, Virginia. XO Holdings, through various intermediate holding companies, is wholly owned and controlled by Carl C. Icahn.

XO Communications is the principal operating company for XO’s wireline business, which controls and operates an IP and Ethernet network that extends coast-to-coast. That network includes an inter-city network of approximately 20,000 fiber route miles and more than 5,600 owned metro fiber route miles.² In Utah, XO Communications offers local and long distance voice, Internet access, cloud connectivity, security, private line, Ethernet, and other private data and network transport services for small and medium-sized companies, enterprises, national and government customers, and other carriers, both on a managed and wholesale basis. XO Communications does not offer or provide mass market retail services to consumers.

Verizon

Verizon, a publicly traded Delaware corporation with its principal offices in New York City, New York, is a holding company with operating subsidiaries that provide a wide range of communications services in Utah and throughout the United States and the world. Verizon’s subsidiaries provide communications services to consumers, business, and government customers, as well as to other carriers.³ Verizon’s wireline business provides voice, data, and video communications products and enhanced services, including broadband video and data, corporate networking solutions, data center and cloud services, security and managed network services, and local and long distance voice services.

In Utah, Verizon’s wireline business is comprised of five indirect wholly-owned subsidiaries: TTI National, Inc., Verizon Long Distance LLC and Verizon Select Services Inc., all of which hold authority from the Commission to provide resold interexchange services⁴; MCImetro Access Transmission Services LLC d/b/a Verizon Access Transmission Services, which holds authority to provide resold and facilities-based local exchange telecommunications services; and MCI Communications Services, Inc. d/b/a Verizon Business Services, which holds authority to provide resold and facilities-based interexchange telecommunications services.

² These are not last-mile, fiber-to-the-home assets. XO Communications does not offer consumer services. A small portion of XO Communications’ network utilizes copper, which usually is connected to a nearby node that is in turn connected to XO Communications’ fiber facilities.

³ References to Verizon’s services and network herein refer to those of its wholly-owned operating subsidiaries.

⁴ TTI National, Inc., Verizon Long Distance LLC and Verizon Select Services Inc. operate as toll resellers and therefore are not “public utilities” under Utah Code Ann. §§ 54-2-1(19)(a) and (28)(b)(iii).

Description of the Transaction

On February 20, 2016, XO Holdings and Verizon entered into an agreement pursuant to which XO Holdings will sell all of its interests in XO to Verizon. Upon completion of the transaction, XO Communications (the XO operating company certificated in Utah) will become a wholly-owned indirect subsidiary of Verizon. As a result of this parent-level transaction, XO Communications will be transferred *en toto* to Verizon, with no associated customer or asset transfers. *See* Attachment 1. The proposed transaction will enhance Verizon's fiber network and foster operational and economic efficiencies.

The Proposed Transaction Will Enhance Verizon's Fiber Network

By expanding the depth and breadth of its fiber assets in Utah and across the country, Verizon will make America's best network even better. The transaction will benefit enterprise and wholesale business customers by increasing, expanding, and improving Verizon's fiber facilities. It will also support Verizon's goal of enhancing the capacity and reliability of its wireless networks.

Businesses today require advanced and innovative technologies and comprehensive solutions, and bandwidth requirements are growing rapidly as online and online-enabled activities increase the reliance on IP-based services. The acquisition of XO Communications will boost the fiber capacity Verizon has to reach its business and wholesale customers and reduce its dependency on the leased fiber it currently uses to serve many of those customers. The transaction will thus advance Verizon's ability to deploy and maintain innovative offerings, benefiting business customers and serving the public interest, convenience, and necessity. Verizon will also be able to offer existing XO Communications customers additional products and services not currently available through XO Communications or its affiliates.

The additional capacity and expanded footprint will also help Verizon stay competitive and further drive competition among other market participants. In areas where there is concentrated demand for business data services, the enterprise and wholesale markets are competitive with sophisticated and knowledgeable customers. The additional nationwide fiber assets will enable Verizon to more effectively compete with leading national and regional high-capacity service providers — especially cable companies, but also traditional incumbent and competitive telephone companies and other non-traditional players, particularly in central business districts. To succeed in this competitive space, Verizon must ensure it can meet growing demand for bandwidth and reliability—two increasingly important competitive factors in the global enterprise market. This transaction is part of the company's continuing investment in its networks to meet that demand, and will help it advance its position as a provider of choice to enterprise customers.

Verizon will also be able to better serve its wireless customers by improving the efficiency and capacity of the networks it uses to serve them. The majority of XO Communications' fiber is

unlit, or “dark,” and this transaction affords Verizon the opportunity to put that unlit fiber to use to better connect its expanding cell network. As Verizon executives have explained, “Getting dark fiber out there, getting the small cells in there, that’s the direction we’re headed. That’s what’s going to give us our ability to deliver to our customers on the promise of reliability.”⁵

The Proposed Transaction Will Foster Operational and Economic Efficiencies

Acquiring XO Communications will result in multiple operational and economic efficiencies that benefit customers by increasing Verizon’s ability to compete effectively to meet their demand for the latest technology and service developments. Verizon’s fiber network consists of facilities that it has constructed, leased, or acquired through transactions, depending on the efficiencies of the individual circumstances. In this case, XO Communications’ fiber network is largely complementary to Verizon’s. Post-closing, enterprise and wholesale customers will gain access to a more expansive Verizon-owned facilities-based network and receive more efficient and economical services.

Bringing XO Communications’ business under Verizon’s ownership will provide the financial resources to support and promote better and more intensive use of XO Communications’ fiber network. The years following XO Communications’ emergence from bankruptcy in 2003 “were a bumpy road,” as the company “reckoned with major network over capacity and other issues caused by overly optimistic projections and capital expenditures made by previous owners.”⁶ Additional capital had to be injected several times just “to keep [the company] operating.”⁷ Verizon has the economy of scale to invest in and support these networks, including through achieving synergies as part of this transaction.

When fully implemented, the proposed transaction will yield nationwide synergies in total expense savings that Verizon estimates to be in excess of \$1.5 billion on a net present value basis. These operational and other efficiencies will provide Verizon with increased financial flexibility to compete in the fast changing communications marketplace.

Approval Not Required

The transaction does not require prior Commission approval. Under Utah Code Ann. §§ 54-4-28, 54-4-29 and 54-4-30, Commission approval is required only if one Utah public utility merges with, acquires the voting stock of, or acquires the plants, facilities, equipment or properties of another. In this transaction, Verizon, a Delaware holding company, will acquire from XO

⁵ Joey Jackson, *Dark Fiber Key to Future of Small Cells, Backhaul*, RCR WIRELESS NEWS, Dec. 21, 2015 (quoting Brian Mecum, Vice President of Network for the West Area, Verizon).

⁶ XO Communications Press Release, *Verizon to Acquire XO Communications’ Fiber Business*, Feb. 22, 2016, available at <http://www.xo.com/verizon-acquires-xo/>.

⁷ *Id.*

Holdings, a Delaware general partnership, all of the issued and outstanding equity interest in XO, a Delaware limited liability company. None of these entities is a Utah public utility. While XO owns all of the issued and outstanding equity interest in XO Communications, a Utah public utility, neither XO Communications nor Verizon's Utah regulated subsidiaries are parties to the transaction.

Moreover, pursuant to the Commission's decision in the CTC Communications/Earthlink proceeding, no Commission approval is required where, as here, an indirect transfer of control involves no transfer of authorization, assets or customers of a public utility. *See In the Matter of the Notification Regarding the Indirect Transfer of Control of CTC Communications Corp. to EarthLink, Inc.*, 2011 Utah PUC LEXIS 113 (March 14, 2011) ("As no 'transfer of authorization, assets or customers will occur as a result of the transfer of control,' the Commission finds the transaction does not require Commission approval."). There, the Commission merely directed the parties notify it of the consummation of the transaction.

If the Commission nonetheless determines that approval of this transaction is necessary, the Parties respectfully request that it consider this matter pursuant to U.A.C. R746-110, which permits informal adjudication of uncontested matters that are anticipated to be unopposed and uncontested. If the Commission determines that a more formal process is necessary, or has any questions concerning this transaction, please contact the undersigned at the Commission's earliest convenience.

Sincerely,

VERIZON COMMUNICATIONS INC. and
XO HOLDINGS

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