

Kimberly Caswell
Vice President and General Counsel, Southeast
Legal Department

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RECORDS AND
REPORTING



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August 28, 2000

Ms. Blanca S. Bayo, Director
Division of Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. *001250-TP*
Joint Petition of NorthPoint Communications Group, Inc. and Bell Atlantic
Corporation d/b/a Verizon Communications for Approval of Transfer of Control

Dear Ms. Bayo:

Please find enclosed an original and 15 copies of the above-referenced petition.
Service has been made as indicated on the Certificate of Service. If there are any
questions regarding this matter, please contact me at 813-483-2617.

Sincerely,

Kimberly Caswell
Kimberly Caswell

KC:tas
Enclosures

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[Signature]
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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Joint Petition of
NorthPoint Communications Group, Inc.)
and Bell Atlantic Corporation d/b/a)
Verizon Communications for)
Approval of Transfer of Control)
_____)

Docket No. *001250-TP*
Filed: August 28, 2000

**JOINT PETITION OF
NORTHPOINT COMMUNICATIONS GROUP, INC.
AND VERIZON COMMUNICATIONS**

NorthPoint Communications Group, Inc. ("NorthPoint") and Bell Atlantic Corporation d/b/a Verizon Communications ("Verizon"), pursuant to section 364.33 of the Florida Statutes, request approval of a transaction between Verizon and NorthPoint that will result in Verizon having majority control of NorthPoint Communications, Inc. ("NPC"), an alternative local exchange carrier ("ALEC") in Florida.

The transaction is in the public interest because it will benefit consumers, Internet service providers ("ISPs"), ALECs, and content providers.

Consumers will realize the benefits from the merged entity ("new NorthPoint") having the financial resources that will enable its operating subsidiary, NPC, to aggressively deploy high speed access services to the mass market in Florida. The new NorthPoint will continue to offer ISPs open access to its network, which will facilitate new and innovative broadband offerings. Content providers will also benefit by receiving a more robust alternative to distribute their programming.

ALECs will be able to take advantage of Interconnection agreements between NPC and Verizon Florida Inc. (formerly known as GTE Florida Incorporated), thereby

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ensuring that all competing DSL providers receive non-discriminatory treatment from Verizon Florida Inc..

To realize these benefits as soon as possible, the parties request an expedited decision on this petition.

In support of their request, the parties represent as follows:

I. DESCRIPTION OF THE PARTIES

A. NORTHPOINT and NPC

NorthPoint is headquartered in San Francisco, California, with its principal place of business located at 303 Second Street, South Tower, San Francisco, California 94107. NorthPoint is the parent corporation of NPC, a data ALEC that primarily provides Symmetric DSL ("SDSL") services to small- and medium-sized businesses and is certificated to provide service in thirty-nine states, including Florida (its certificate number is 5641; its company code is TX198).¹ NPC provides these services on a wholesale basis and its primary customers are ISPs.

B. VERIZON

Verizon is headquartered in New York City, with its principal place of business located at 1095 Avenue of the Americas, New York, New York 10036. Verizon is the parent corporation of telephone operating companies that provide local exchange service, interexchange service, wireless service, and information services. Among its subsidiaries is Verizon Florida Inc., which provides local exchange and exchange access service in Florida, including retail Asymmetric DSL ("ADSL") services under

¹ NPC has pending applications in two additional states.

interstate tariffs. The intrastate services of Verizon Florida Inc. and their regulation by this Commission are not affected by this transaction, and Verizon Florida Inc. is not a party to the transaction or this Joint Petition.

Neither NorthPoint nor any of its affiliates are currently affiliated with Verizon or any of its affiliates.

II. SERVICE ADDRESSES

Notices and other pleadings in connection with this Joint Petition should be served on NorthPoint and Verizon as follows:

For Verizon:

Kimberly Caswell
Vice President and General Counsel - Southeast
Verizon Services Group
P. O. Box 110, FLTC0007
Tampa, FL 33601-0110
(813) 483-2617

For NorthPoint:

Glenn A. Harris
Assistant General Counsel - Gov't & Industry Affairs
NorthPoint Communications
303 Second Street, South Tower
San Francisco, CA 94107
(415) 365-6095

III. DESCRIPTION OF THE TRANSACTION

NorthPoint and Verizon have decided to combine their subsidiaries' complementary xDSL businesses. Their xDSL assets held by their respective

subsidiaries will be transferred into a new corporate entity.² Verizon will also make a net cash investment of \$450 million in the new entity, which will allow the new company to accelerate its roll out of high-speed access services across the new company's larger national footprint. NPC, the NorthPoint affiliate operating in Florida, will be a wholly-owned subsidiary of the new NorthPoint, as it is now a wholly-owned subsidiary of NorthPoint.

The new NorthPoint will become a "most separate" separate affiliate of Verizon and will be distinguished from any existing separate subsidiaries based on state or federal regulatory requirements. First, the new company will have substantial independent ownership. Verizon will own 55 percent of the new NorthPoint, with the remaining 45 percent held by public shareholders. Second, the new NorthPoint will have a board that includes independent directors and a NorthPoint-led management team. Verizon will nominate six directors, three of whom must be NASDAQ-qualified "independent" directors, and NorthPoint will appoint three directors. NorthPoint's current CEO will remain in charge of the new company. Third, the new company will maintain the NorthPoint identity, will be traded on Wall Street under the NorthPoint name, will sell xDSL-based services under the "NorthPoint" brand, and will remain headquartered in San Francisco.

² In a separate transaction, Verizon will transfer all assets used to provide data services, such as its intrastate frame relay services and its interstate xDSL services, into a separate data affiliate ("SDA"), consistent with the FCC's Order approving the merger of GTE Corporation and Bell Atlantic Corporation. *In the Matter of GTE Corporation, Transferor, and Bell Atlantic Corporation, Transferee, for Consent to Transfer Control*, CC Docket 98-184, Memo. Op. & Order (June 18, 2000). The xDSL assets will be transferred to the new NorthPoint, so that all xDSL services will be provided by the new NorthPoint separate subsidiary. Verizon's wholly owned

The legal and operational status of NPC, the certificated ALEC in Florida, will remain unchanged following this merger. This transaction, therefore, will have no effect on the manner in which the Commission regulates NPC.

IV. THE PUBLIC INTEREST BENEFITS OF THE TRANSACTION

This transaction will strongly promote the public interest and should be granted expeditiously because it will benefit consumers, ISPs, ALECs, and content providers without any adverse effect on competition.

A. Consumers

The transaction will increase the ability of NPC to deploy high-speed access services to the mass market in Florida. NorthPoint requires significant additional capital investment for costly network expansion and execution of its current business plan. In the absence of new financing, NorthPoint could be forced to scale back NPC's current operations and to forgo any plans to expand. Approval of this petition by the Commission will give NorthPoint, and its subsidiary, NPC, an opportunity to remain competitive in the broadband access market in Florida.

B. ISPs

The new NorthPoint will employ an open network that provides ISPs with a platform to offer consumers a broad array of new and innovative services. In addition, open access to the new NorthPoint's network will facilitate the ability of a broad range of ISPs to compete directly with the closed systems of cable companies and their exclusive ISP partners. NPC provides access to its DSL facilities through open

subsidiary, the SDA, will be the parent company, holding 55% of the shares of the new NorthPoint.

broadband access platforms that are used by literally hundreds of ISPs. The proposed transaction will further strengthen NPC's ability to serve ISPs.

C. ALECS

The new NorthPoint will be a far more separate affiliate of Verizon than has been necessary to satisfy any regulatory requirement. ALECs will be able to opt into interconnection agreements between NPC and Verizon Florida Inc. under 47 U.S.C. section 252(i). The new NorthPoint's experience in interconnecting with its affiliate, Verizon Florida Inc., will also provide an invaluable benchmark for measuring market-opening behavior of Verizon Florida Inc..

D. Content Providers

NorthPoint has developed an innovative new technology platform and network—known as "Blast!"—that is capable of delivering streaming video programming over DSL, competing directly with cable companies' premium and pay-per-view services. NorthPoint, however, has lacked the scale to attract the content providers it needs to compete. The new NorthPoint will have the scale necessary to attract the content necessary to challenge the cable companies' dominance of the video delivery business. Consumers will also benefit from this competition because the FCC recently found that video markets remain highly concentrated and that cable rates continue to rise faster than the rate of inflation.³

³ *Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming*, Sixth Annual Report. ¶ 5, CS Docket No. 99-230 (Jan. 5, 2000); see also *id.* ¶ 140 ("The market for the delivery of video programming to households continues to be highly concentrated and characterized by substantial barriers to entry."); see also *Implementation of Section 3 of the Cable Television Protection and Competition Act of 1992*, Report on Cable Industry Prices, MM Docket 92-266 (Jun. 15,

V. THE NEED FOR EXPEDITED APPROVAL

The Commission should approve this transaction quickly. As noted above, NorthPoint needs an infusion of new capital and resources now. The sooner the transaction can close, the sooner the public interest benefits noted above can be realized.

CONCLUSION

For the reasons set forth above, NorthPoint and Verizon request that the Commission expeditiously approve this Joint Petition.

2000) (FCC found that cable rates have increased 4.8 percent in overbuild areas, and 5.8 percent in noncompetitive systems).

Respectfully submitted,

BELL ATLANTIC CORPORATION d/b/a
VERIZON COMMUNICATIONS, INC.

By: Kimberly Caswell /dm
Kimberly Caswell
Vice President and General
Counsel - Southeast
Verizon Services Group
P. O. Box 110, MC FLTC0007
Tampa, FL 33601
(813) 483-2817

and

NORTHPOINT COMMUNICATIONS INC.

By: Glenn A. Harris /dm
Glenn A. Harris
Assistant General Counsel -
Government & Industry Affairs
NorthPoint Communications
303 Second Street, South Tower
San Francisco, CA 94107
(415) 365-6095

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing Joint Petition of NorthPoint Communications Group, Inc. and Bell Atlantic Corporation d/b/a Verizon Communications for Approval of Transfer of Control was hand-delivered on August 28, 2000 to:

Staff Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850



Kimberly Caswell

STATE OF FLORIDA

Commissioners:
I. TERRY DRASON, CHAIRMAN
E. LEON JACOBS, JR.
LILA A. JABER



DIVISION OF RECORDS & REPORTING
BLANCA S. BAYO
DIRECTOR
(850) 413-6770

Public Service Commission

August 31, 2000

CORRECTED LETTER

Kimberly Caswell, Vice President and General Counsel
Verizon Florida Inc.
Post Office Box 110
Tampa, Florida 33601-0110

Re: Docket No. 001250-TP

Dear Ms. Caswell:

This will acknowledge receipt of a joint petition of NorthPoint Communications Group, Inc. (parent company of NorthPoint Communications, Inc. ("NPC"), holder of ALEC Certificate No. 5641) and Bell Atlantic Corporation d/b/a Verizon Communications ("Verizon") for approval of transfer of control of NPC to Verizon, which was filed in this office on August 28, 2000 and assigned the above-referenced docket number. Appropriate staff members will be advised.

Mediation may be available to resolve any dispute in this docket. If mediation is conducted, it does not affect a substantially interested person's right to an administrative hearing. For more information, contact the Office of General Counsel at (850) 413-6248 or FAX (850) 413-7180.

Division of Records and Reporting
Florida Public Service Commission

STATE OF FLORIDA

Commissioners:
J. TERRY DEASON, CHAIRMAN
E. LEON JACOBS, JR.
LILA A. JABER



DIVISION OF RECORDS & REPORTING
BLANCA S. BAYO
DIRECTOR
(850) 413-6770

Public Service Commission

August 30, 2000

Kimberly Caswell, Vice President and General Counsel
Verizon Florida Inc.
Post Office Box 110
Tampa, Florida 33601-0110

Re: Docket No. 001265-TP

Dear Ms. Caswell:

This will acknowledge receipt of a joint petition of NorthPoint Communications Group, Inc. (parent company of NorthPoint Communications, Inc. ("NPC"), holder of ALEC Certificate No. 5641) and Bell Atlantic Corporation d/b/a Verizon Communications ("Verizon") for approval of transfer of control of NPC to Verizon, which was filed in this office on August 28, 2000 and assigned the above-referenced docket number. Appropriate staff members will be advised.

Mediation may be available to resolve any dispute in this docket. If mediation is conducted, it does not affect a substantially interested person's right to an administrative hearing. For more information, contact the Office of General Counsel at (850) 413-6248 or FAX (850) 413-7180.

Division of Records and Reporting
Florida Public Service Commission