

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

UT – 090842

In the Matter of)
)
VERIZON COMMUNICATIONS INC.)
And FRONTIER COMMUNICATIONS)
CORPORATION)
)
Joint Application for an Order Declining to)
Assert Jurisdiction, or, in the)
Alternative, to Approve the Indirect)
Transfer of Control of)
VERIZON NORTHWEST INC.)

TESTIMONY IN SUPPORT

OF SETTLEMENT

BY THE

PARTIES TO THE JOINT CLEC SETTLEMENT

FRONTIER COMMUNICATIONS CORPORATION

VERIZON COMMUNICATIONS INC.

XO COMMUNICATIONS SERVICES, INC.

INTEGRA TELECOM OF WASHINGTON INC.

TW TELECOM OF WASHINGTON LLC

COVAD COMMUNICATIONS COMPANY

MCLEODUSA TELECOMMUNICATIONS SERVICES, INC.

360NETWORKS (USA), INC.

December 23, 2009

1 **Introduction**

2 **Q. Who is sponsoring this testimony?**

3 A. This testimony is jointly sponsored by: Frontier Communications Corporation
4 (“Frontier”); Verizon Communications Inc. (“Verizon”) (Frontier and Verizon,
5 collectively, the “Applicants”) and XO Communications Services, Inc.; Integra Telecom
6 of Washington Inc. (on behalf of itself and its affiliates Eschelon Telecom of
7 Washington, Inc., Electric Lightwave, LLC, Advanced TelCom, Inc., Washington
8 Telecom, Inc., and UNICOM); tw telecom of Washington llc, Covad Communications
9 Company and McLeodUSA Telecommunications Services, Inc. d/b/a PAETEC Business
10 Services (“Joint CLECs”), and 360networks (USA) inc., hereafter referred to collectively
11 as “the Parties.”

12
13 **Q. Please state your names.**

14 A. Our names are: Daniel McCarthy (Frontier), Timothy McCallion (Verizon) and Douglas
15 Denney (Integra). We each have previously filed testimony in this proceeding and our
16 qualifications are set forth in our pre-filed direct testimonies dated July 6,
17 2009 (McCarthy and McCallion) and direct testimony dated November 3, 2009 (Denney).

18
19 **Q. What is the purpose of your testimony?**

20 A. Our testimony describes and supports the Joint CLEC Settlement and attached conditions
21 as agreed upon by the Parties, dated December 11, 2009, and filed with the Washington
22 Utilities and Transportation Commission (“Commission”) with this Testimony (“Joint

1 CLEC Settlement”). Our testimony demonstrates why the Joint CLEC Settlement
2 satisfies the Parties’ interests and concerns and is consistent with the public interest.

3 **II. Background**

4 **Q. Please briefly describe the history of this proceeding.**

5 A. On May 29, 2009, Verizon and Frontier filed an Application seeking Commission
6 approval for the indirect transfer of control of Verizon Northwest Inc. (“Verizon
7 Northwest”) from Verizon to Frontier as described in the Application. The Applicants
8 requested approval under Chapter 80-12 RCW, Chapter 480.143 WAC, and any other
9 applicable law or rule the Commission deems necessary to effect the transaction.
10 Mr. McCarthy and Mr. McCallion on behalf of the Applicants filed their Direct
11 Testimony in support of the Application on July 6, 2009. Thorough discovery (more than
12 1000 data requests) has taken place in the proceeding, including discovery initiated by
13 Commission Staff, the Joint CLECs and other parties. The Parties have also engaged in
14 numerous settlement discussions from July through December 2009. On November 3rd,
15 Mr. Douglas Denney and Mr. James Huesgen (Integra) filed testimony on behalf of
16 Integra and the Joint CLECs. On November 19, 2009, Mr. McCarthy, Mr. David
17 Whitehouse, Ms. Kim Czak, Mr. Wayne Lafferty and Mr. Billy Jack Gregg filed rebuttal
18 testimony on behalf of Frontier. On November 19th, Mr. McCallion and Mr. Stephen
19 Smith also filed reply testimony on behalf of Verizon. Based on the testimony filed in
20 the proceeding and the discovery conducted by the Parties, the Applicants and the Joint
21 CLECs, and 360networks (USA) inc., were able to meet and identify specific conditions
22 that would address concerns raised by the Joint CLECs in their testimony and shared by

1 360networks (USA) inc. The Parties exchanged proposals and counterproposals, which
2 culminated in the execution of the Joint CLEC Settlement.
3
4

5 **III. Summary of Joint CLEC Settlement**

6 **Q. Please summarize how the Joint CLEC Settlement addresses the concerns raised by**
7 **the Joint CLECs, and shared by 360networks (USA) inc. in this proceeding?**

8 A. As explained in the pre-filed testimony of Mr. Douglas Denney and Mr. James Huesgen
9 (Integra), the Joint CLECs were focused on four areas: 1) ensuring costs related to the
10 transaction are not borne by competitive carrier wholesale customers; 2) existing
11 wholesale service arrangements with Verizon Northwest, including the rates, terms and
12 conditions to those wholesale services; 3) the transfer of wholesale operations support
13 systems from Verizon to Frontier; and 4) wholesale service quality performance. See
14 Direct Testimony of James Huesgen (November 3, 2009) at pp. 3-5. 360networks (USA)
15 inc. shared these same concerns. The Joint CLEC Settlement, which delineates 15
16 substantive Settlement Conditions (the last four conditions are procedural in nature),
17 addresses each of these four areas of concern raised by the Joint CLECs and shared by
18 360networks (USA) inc.
19

20 **Q. Please summarize how the Joint CLEC Settlement addresses the concern that costs**
21 **related to the transaction are not born by competitive carrier wholesale customers?**

1 A. Under the terms of the Joint CLEC Settlement, Frontier has agreed that costs related to
2 the transaction will not be passed through to competitive carriers. Specifically, to allay
3 these concerns, Condition 2 provides that Frontier will “not seek to recover through
4 wholesale service rates one-time transfer, branding or transaction costs.” Condition 3
5 provides that Frontier will hold wholesale customers harmless for “increases in overall
6 management costs incurred” by Frontier that result from the transaction. In addition,
7 Condition 8 provides that rates for certain specified wholesale services shall be capped
8 for at least 24 months from the closing date for the proposed transaction and that Frontier
9 will not create new rate elements or charges for facilities or functionalities that are
10 provided by Verizon under existing rates. In combination, these three conditions
11 included in the Joint CLEC Settlement ensure that costs related to the proposed
12 transaction are not passed on to CLECs through the rates for wholesale products and
13 services and that the “status quo” with respect to rates for interconnection and wholesale
14 services will be maintained for a minimum of two years after the transaction closes.

15
16 **Q. Please summarize how the Joint CLEC Settlement addresses the concern about**
17 **Verizon interconnection agreements and wholesale service arrangements.**

18 A. The Joint CLECs had raised the concern that their existing interconnection and wholesale
19 arrangements with Verizon Northwest could potentially be disrupted as a result of the
20 transaction. 360networks (USA) inc. shared this same concern. The structure of the
21 proposed transaction addresses this issue because Frontier will become the new parent
22 company of Verizon Northwest, and all existing interconnection agreements (“ICAs”)
23 between Verizon Northwest and CLECs will remain in force at the closing of the

1 proposed transaction. In addition, in Condition 5 of the Joint CLEC Settlement, Frontier
2 has committed to honor, assume or take assignment of all obligations under Verizon's
3 existing ICAs and other "Assumed Agreements" and to abide by the rates, terms,
4 conditions, reporting requirements, and operating procedures related to Assumed
5 Agreements for unexpired terms of twenty-four (24) months, whichever is longer.
6 Frontier will allow carriers to extend their existing ICAs for thirty (30) months after the
7 closing of the transaction (Condition 6) and will allow competitive carriers to use their
8 existing ICAs as a basis for negotiating a new replacement ICA (Condition 7). These
9 provisions will further assure an uninterrupted changeover from Verizon to Frontier. In
10 Condition 9, Frontier has also committed that it will not seek to avoid any obligation
11 under the Assumed Agreement on the grounds that it is not an incumbent LEC or
12 pursuant to a "rural" exemption under section 252 of the Telecommunications Act for the
13 Verizon Northwest service area in Washington. Frontier has also made other
14 commitments that will ensure competitive carrier's business operations are not disrupted
15 or adversely impacted by the transaction. Specifically, for at least one year after closing
16 of the proposed transaction, Frontier will not discontinue any wholesale service offered to
17 competitive carriers without Commission approval (Condition 1), seek to reclassify as
18 "non-impaired" or seek forbearance from dominant carrier regulation under Section 251
19 of any Verizon Northwest Washington wire centers for at least one year after the closing
20 (Condition 10).

21
22 Conditions 1, 5, 6, 7, 9 and 10 provide stability to competitive carriers by establishing
23 specific commitments and safeguards regarding the existing ICAs and wholesale service

1 arrangements that Verizon Northwest has in place with Washington competitive carriers.
2 The Joint CLEC Settlement provides a balanced and reasonable assurance that the Joint
3 CLECs and 360networks (USA) inc. will receive the same services, support and
4 arrangements as those provided by Verizon Northwest prior to the transaction.
5

6 **Q. Please summarize how the Joint CLEC Settlement responds to concerns and**
7 **mitigates risks associated with the transfer of wholesale operations support systems**
8 **from Verizon to Frontier?**

9 A. As part of the proposed transaction, Frontier and Verizon have also undertaken efforts to
10 ensure that the wholesale operations support systems used by CLECs are not disrupted.
11 CLECs will continue to place service orders and otherwise interact with Frontier in the
12 same manner as they interact with Verizon today. Frontier will continue to use the
13 Verizon operational support systems and their interfaces after the closing of the proposed
14 transaction, supported by the same personnel, that will result in at least the same quality
15 of services and support as those carriers receive from Verizon. Frontier will not replace
16 those systems during the first three years after close of the transaction without providing
17 180 days notice to the Commission and the CLECs. Frontier has also committed to
18 continue providing monthly wholesale performance reports to competitive carriers. In
19 addition to providing transparent wholesale services with functionality consistent with
20 Verizon's, Frontier is committed to timely resolution of problems consistent at least with
21 Verizon's performance.
22

23 **Q. Please explain how the Joint CLEC Settlement is structured to avoid the operational**

1 **problems experienced by FairPoint and Hawaiian Tel with respect to the wholesale**
2 **operations support issues?**

3 A. Frontier was very aware of the operational problems experienced by FairPoint and
4 Hawaiian Tel, and took steps to avoid those problems in structuring the proposed
5 transaction. The following are the key facts associated with the transition of operational
6 support systems from Verizon to Frontier in Washington:

- 7 1) Under the terms of the Merger Agreement, Verizon has contractually committed to
8 provide Frontier with fully functioning wholesale customer operations support
9 systems. The systems being transferred to Frontier will be replicated versions of the
10 same CLEC operations support systems that Verizon will retain and continue to utilize
11 to provide service in areas outside the scope of the Verizon/Frontier transaction (e.g.
12 Texas). Verizon will complete testing to ensure that the replication of the support
13 systems that Verizon utilizes to provide support to CLECs in Washington today has
14 been successfully completed.
15
- 16 2) At least 60 days prior to the closing of the transaction, Verizon will complete the
17 replication and physically separate the CLEC customer operations support systems to
18 be transferred to Frontier. The replication of the Verizon CLEC operational support
19 systems is expected to be completed by March 31, 2010.
20
- 21 3) After the existing Verizon CLEC operations support systems are replicated and
22 physically separated, those replicated CLEC operational support systems will be used
23 by Verizon to support the wholesale service it provides in the Washington territories
24 for at least 60 days prior to the closing. During this period, Verizon will receive CLEC
25 orders, provision and bill for services in the normal course of its business. Frontier will
26 be actively engaged in validating the performance of the replicated systems to ensure
27 the systems are fully operational. The closing will not occur unless and until those
28 systems are fully operational.
29
- 30 4) The Verizon employees who operate the CLEC operations support systems for Verizon
31 during the 60-day period prior to closing will continue as employees of Frontier.
32
- 33 5) Following closing, Frontier will control and continue to use the same replicated
34 wholesale systems used by Verizon to provide service to wholesale customers in
35 Washington and that CLECs utilized to submit orders, to provision service, and for
36 billing prior to closing.
37
- 38 6) Frontier and Verizon will enter into a contractual agreement under which Frontier will
39 use the wholesale operational support systems and receive Verizon maintenance and
40 support for at least one year and Verizon is required to offer this support for a

1 minimum of at least four years, if Frontier desires such support. This support will
2 include new system releases, updates to source code, patches and bug fixes associated
3 with the replicated systems conveyed to Frontier.
4

5 **Q. Please provide a summary of Condition 15 from the Joint CLEC Settlement and**
6 **how this condition provides additional protections associated with the wholesale**
7 **OSS transition to the Joint CLECs.**

8 A. Condition 15 provides additional assurances that the wholesale support systems being
9 transferred to Frontier are functioning both *before* and *after* the systems go into
10 production mode. It also requires Frontier to continue using these systems for at least one
11 year after closing, and to give at least six months' notice of its intent to transition to any
12 new system. Here are the key points in Condition 15:

13 The Joint CLEC Settlement provides that Verizon will take full responsibility for
14 replicating its existing systems and transferring data to the replicated systems, and that
15 Verizon will undertake testing of the systems during the replication process and *before*
16 the systems are put into production and utilized. This testing will consist of the
17 processing and flow through of sample data and the verification of the results of that
18 testing. Also, Frontier will have the opportunity to provide feedback on the test plan, to
19 review the results of Verizon's testing, and to request that other tests be run. Once the
20 pre-production testing results confirm the replication has been successful, Verizon will
21 complete the replication and physically separate the CLEC operations support systems to
22 be transferred to Frontier. Verizon will put the CLEC systems into real time use to
23 operate its Northwest region, which includes Washington.

24 After the existing Verizon wholesale operations support systems are replicated
25 and physically separated, those replicated systems must be used *by Verizon* to support the

1 wholesale service it provides in Washington for at least 60 days prior to the closing.
2 During this period, Verizon will receive CLEC orders, provision, and bill for services in
3 the normal course of its business. Also, Frontier will validate the performance of the
4 replicated systems to ensure the systems are fully operational. In the event that issues or
5 problems arise, including problems identified by CLECs, Verizon and Frontier will
6 investigate, and Verizon will make any necessary system modifications to remedy those
7 issues. And the closing will not occur unless and until those systems are fully
8 operational.

9 Furthermore, Frontier has agreed to continue to use the replicated wholesale
10 systems for at least one year after closing. Frontier and Verizon have committed that
11 Frontier will receive Verizon maintenance and support for at least one year after closing
12 and, subject to the terms and conditions of the agreement between the parties, Verizon
13 will be required to offer this support for a minimum of at least four years, if Frontier
14 desires such support. This support will include new system releases, updates to source
15 code, patches and bug fixes associated with the replicated systems conveyed to Frontier.

16 Also, at least 180 days before any transition of the replicated OSS system to any
17 *other* wholesale operations support systems, Frontier will file its proposed transition plan
18 with the Commission and seek input from interested carriers. Before implementing such
19 a transition, Frontier will allow for coordinated testing with the settling CLECs as
20 described in the settlement.

21 The Parties agree that these wholesale service protections, coupled with Frontier's
22 commitments related to the transition of wholesale systems and the provisions included in

1 the Joint CLEC Settlements, assure the Commission that Washington wholesale
2 customers will not be harmed as a result of the transaction.

3
4 **Q. Please explain how the Joint CLEC Settlement addresses concerns regarding**
5 **wholesale service quality issues?**

6 A. With respect to the wholesale service quality issues, Frontier recognized that CLECs
7 might have concerns about the proposed transaction. In its pre-filed testimony, Frontier
8 explained that it has substantial experience in providing service and support to CLECs
9 and will use this experience and expertise, along with the Verizon wholesale customer
10 support systems and associated Verizon employees who will continue to be employed by
11 Frontier after the closing of the transaction, to provide the same wholesale services in
12 Washington that Verizon provides today. As is explained in more detail above, Frontier
13 will also continue to use Verizon operational support systems and their interfaces after
14 the closing of the proposed transaction, which will result in at least the same quality of
15 services and support that those carriers receive from Verizon.

16 In addition, as part of the Joint CLEC Settlement Condition 4, Frontier has agreed
17 to continue to provide the monthly reports of wholesale performance metrics that Verizon
18 Northwest currently provides to CLECs and provide access to these metrics to
19 Commission staff. Frontier has committed to participate in a docket to be opened by the
20 Commission to monitor Frontier's wholesale service quality and establish wholesale
21 service quality benchmarks. In addition, Frontier shall provide and make available
22 updated escalation procedures and contact lists to identify the appropriate personnel
23 within Frontier to address ordering, provisioning, billing and support system issues

1 (Condition 11). Frontier will continue to make available the types of information
2 Verizon currently provides concerning wholesale operations and business practices
3 (Condition 12) and Frontier will continue the Verizon CLEC forums and the Change
4 Management Process (Condition 13). In Condition 14, Frontier has also specifically
5 committed to ensure that the Verizon wholesale and CLEC support centers are
6 sufficiently staffed with trained personnel dedicated to wholesale operation so as to
7 provide a “level of service that is comparable to that which is provided by Verizon.”
8 In total, these conditions provide the Joint CLECs and 360networks (USA) inc. with
9 assurance that the services they receive are not disrupted and are of a consistent quality to
10 what was provided by Verizon prior to the closing of the proposed transaction.
11

12 **Q. What is Frontier’s view of the Joint CLEC Settlement?**

13 A. With the Agreement, the issues raised by the Joint CLECs and shared by 360networks
14 (USA) inc. in this proceeding have been addressed. With respect to ICAs, wholesale
15 arrangements and other processes, Frontier will continue honor or assume the
16 arrangements that Verizon has in place and there will be no adverse impact on the Joint
17 CLECs, 360networks (USA) inc. or other competitive carriers. Frontier will use
18 replicated versions of Verizon’s existing wholesale operational support systems and
19 resources, which Frontier will take over as part of the closing of this transaction.
20 Following the transaction, CLEC orders will be processed in the same manner as they are
21 today, using the systems employed by Verizon today and drawing from the experience of
22 current Verizon employees. The Joint CLEC Settlement is in the public interest in that it
23 provides specific commitments and conditions associated with the availability of

1 agreements, services and operations support systems utilized by the Joint CLECs,
2 360networks (US) inc. and other competitive carriers.

3
4 **Q. Will the terms of the Joint CLEC Settlement be available to other carriers in**
5 **Washington?**

6 A. Yes. The terms of the Joint CLEC Settlement will benefit not just the CLEC signatories
7 to the Joint CLEC Settlement participating in this proceeding. Because the Settlement
8 involves prospective interconnection obligations governed by Section 251 of the
9 Communications Act of 1934, as amended (the “Act”), these substantive interconnection
10 terms in the Settlement will be incorporated into an interconnection agreement
11 amendment filed with the Commission and will be governed by the non-discrimination
12 protections of the Act (including Section 252(i)). In other words, other carriers in
13 Washington will be able to receive the same benefits.

14
15 **Q. What is Verizon’s view of the Joint CLEC Settlement?**

16 A. Verizon agrees with Frontier that the Agreement is in the public interest, as it resolves the
17 issues presented by the Joint CLECs in this docket. The Joint CLEC Settlement is in the
18 public interest in that it provides specific commitments and conditions associated with the
19 availability of operations support systems utilized by competitive carriers to ensure that
20 the systems that are replicated and transferred to Frontier as part of this transaction are
21 tested and functional both before the replicated system are used to provide services and
22 before the proposed transaction closes.

23
24 **Q. What is the Joint CLEC’s view of the Joint CLEC Settlement?**

1 A. With the Agreement, the Joint CLECs' and 360networks (US) inc.'s issues, which should
2 reflect similar issues that may be experienced by other competitive carriers in
3 Washington, have been addressed, and the Joint CLECs and 360networks (USA) inc.
4 believe that the proper incentives and protections are in place to ensure that Verizon and
5 Frontier will take the actions that reasonably could be expected to ensure a successful
6 transition and transaction. Specifically under the Joint CLEC Settlement, Frontier is
7 committed to honor, assume or take assignment of all obligations under Verizon's
8 existing ICAs and other wholesale arrangements. Frontier has agreed to abide by the
9 rates, terms, conditions, reporting requirements, and operating procedures related to
10 Verizon's wholesale agreements. The Parties have also agreed to important conditions
11 that ensure that the ordering process on the replicated support systems are put into
12 production and utilized to provide service and that the transaction will not close unless
13 Verizon delivers OSS that are functional and capable of continuing to accept and
14 provision competitive carrier orders. As a result of the agreed-upon procedures, the Joint
15 CLECs and 360networks (USA) inc. believe that there are sufficient controls in place
16 before any wholesale conversion, which should assure that the systems work properly
17 and that any problems that may impact CLECs in Washington can be remedied. In
18 addition, Frontier has committed to participate in a docket to monitor its wholesale
19 service quality and to develop wholesale service quality benchmarks. These wholesale
20 service protections included in the Joint CLEC Settlement, assure the Commission that
21 Washington wholesale customers will not be harmed as a result of the transaction.

22

23 **IV. Conclusion**

1 **Q. What do the Parties conclude regarding the Joint CLEC Settlement?**

2 A. With the Joint CLEC Settlement, the Parties acknowledge that the Applicants'
3 application will satisfy the "in the public interest, no harm" standard (*see In the Matter of*
4 *Verizon Communications, inc. and MCI, Inc.*, Order No. 07, Docket No. UT-050814
5 (December 2005)). The Parties request that the Commission issue an order approving the
6 Joint CLEC Settlement and providing the approvals requested by the Applicants in the
7 Application.

8

9 **Q. Does this conclude the Parties' testimony in support of the Joint CLEC Settlement?**

10 A. Yes.