



DEPARTMENT OF THE ARMY
UNITED STATES ARMY LEGAL SERVICES AGENCY
901 NORTH STUART STREET
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January 28, 2010

REPLY TO
ATTENTION OF

Regulatory Law Office
U 4190

VIA ELECTRONIC FILING (1/28/10) & OVERNIGHT MAIL

Commission Executive Director and Secretary
Washington Utilities & Transportation Commission
P.O. Box 47250
1300 S. Evergreen Park Drive S.W.
Olympia, WA 98504-7250

Subject: **DoD/FEA's Supplemental Testimony in Support of Settlement by Charles W. King**

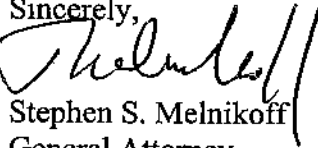
In Re: **Docket No. UT-090842** – Joint Application of Verizon Communications Inc. and Frontier Communications Corporation for an Order Declining to Assert Jurisdiction Over, or, in the Alternative, Approving the Indirect Transfer of Control of Verizon Northwest Inc.

To The Honorable Commission Executive Secretary:

Enclosed for filing in the above-captioned proceeding are the hard copy original and fifteen (15) copies of the Supplemental Testimony in Support of Settlement by Charles W. King of the United States Department of Defense and All Other Federal Executive Agencies (collectively referred to herein as "DoD/FEA"). A Certificate of Service is appended to this filing.

Copies of this document are being sent in accord with the Certificate of Service. Inquiries to this office regarding this proceeding should be directed to the undersigned at (703) 696-1643.

Thank you for your cooperation and assistance in this matter.

Sincerely,

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Enclosure: Fifteen (15) Copies
CF: See Certificate of Service
Honorable Patricia Clark (Email on 1/28/10)

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Joint Application of)	DOCKET NO. UT-090842
)	
VERIZON COMMUNICATIONS INC.)	
AND FRONTIER)	
COMMUNICATIONS CORPORATION)	THE UNITED STATES
)	DEPARTMENT OF DEFENSE AND
For An Order Declining to Assert)	ALL OTHER FEDERAL EXECUTIVE
Jurisdiction Over, or, in the Alternative,)	AGENCIES'
Approving the Indirect Transfer of)	
Control of Verizon Northwest Inc.)	
_____)	CERTIFICATE OF SERVICE

CERTIFICATE OF SERVICE

I certify that I have caused a copy of the foregoing document, together with this Certificate of Service, in Docket No. UT-090842 to be sent this day by electronic service (email) and postage prepaid, properly addressed, first class U.S. Mail (or private courier) to the counsel and parties named below, as indicated:

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Dated this 28th day of January 2010,
at Arlington County, Virginia.



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(8/21/09)

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Joint Application of)
)
VERIZON COMMUNICATIONS,) Docket UT-090842
INC. AND FRONTIER)
COMMUNICATIONS)
CORPORATION)
)
For an Order Declining to Assert)
Jurisdiction Over, or, in the Alternative,)
Approving the Indirect Transfer of)
Control of Verizon Northwest, Inc.)

**SUPPLEMENTAL TESTIMONY
IN SUPPORT OF SETTLEMENT**

By

CHARLES W. KING

On Behalf of
THE UNITED STATES DEPARTMENT OF DEFENSE
And
ALL OTHER FEDERAL EXECUTIVE AGENCIES

January 28, 2010

1 **SUPPLEMENTAL TESTIMONY IN SUPPORT OF SETTLEMENT**

2 **CHARLES W. KING**

3
4 **Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.**

5 A. My name is Charles W. King. I am President of the economic consulting firm of
6 Snavey King Majoros O'Connor & Bedell, Inc. ("Snavey King"). My business
7 address is 1111 14th Street, N.W., Suite 300, Washington, D.C. 20005.

8 **Q. ARE YOU THE SAME CHARLES W. KING WHO FILED RESPONSIVE**
9 **TESTIMONY IN THIS CASE ON BEHALF OF THE U.S. DEPARTMENT**
10 **OF DEFENSE AND ALL OTHER EXECUTIVE AGENCIES ON**
11 **NOVEMBER 3, 2009?**

12 A. Yes. I am.

13 **Q. DOES THAT TESTIMONY CONTAIN A DESCRIPTION OF YOUR**
14 **QUALIFICATIONS?**

15 A. Yes. Attachment A to that testimony is a brief summary of my experience and
16 qualifications. Attachment B is a 15 page listing of my appearances before state
17 and federal regulatory agencies, including the Washington Utilities and
18 Transportation Commission.

19 **Q. WHAT IS THE OBJECTIVE OF THIS SUPPLEMENTAL TESTIMONY?**

1 A. The objective of this testimony is to introduce, support and comment upon the
2 settlement between the U.S. Department of Defense and All Other Executive
3 Agencies (“DoD/FEA”), Frontier Communications Corporation (“Frontier”) and
4 Verizon Communications Inc. (“Verizon”).

5 **Q. WOULD YOU PLEASE DESCRIBE THE SETTLEMENT?**

6 A. Yes. The full DoD/FEA-Frontier-Verizon (“DoD/FEA”) Settlement agreement is
7 filed as a separate exhibit in this proceeding. The operative paragraphs of the
8 agreement, found in its Attachment 1, are the following:

9 **Retail Service Quality:**

10 1. For a three (3) year period after the close of the transaction, within thirty (30)
11 days following the end of each quarter, Frontier NW¹ will file with the
12 Commission and Staff a quarterly report card of the averaged quarterly results for
13 the retail service quality metrics (a) through (f) identified in paragraph 20 of the
14 pending Staff-Verizon-Frontier Agreement filed December 24, 2009. Frontier
15 NW will make such quarterly report cards publicly available through Frontier’s
16 Internet website. The quarterly report cards may be utilized by the Commission
17 or Staff at its discretion. Within sixty (60) days of the filing, for any quarterly
18 metrics that are missed by Frontier NW, Frontier NW will provide to the
19 Commission and Staff a plan that identifies the specific steps to be taken by
20 Frontier NW to address the missed metrics. That plan shall include a budget for
21 the remedial actions to be taken, and Frontier will commit to make the
22 expenditures forecast in that budget and will not use the budgeted funds for any
23 other purpose. The funding and expenditures will then be tracked monthly in sub-
24 accounts of Frontier NW until the missed metrics are satisfactorily met in a
25 subsequent quarter. Frontier shall not seek to defer any of the remediation
26 expenses for recovery in future rate cases. Should the metrics not be met in a
27 following quarter, Frontier NW shall reassess the reasons for failure and develop
28 and submit a new remedial plan and budget commitment as provided above.
29
30

¹ Frontier Communications Corporation will rename Verizon Northwest Inc. as Frontier Northwest Inc. after the closing of the proposed transaction. Throughout this document Frontier NW refers to the renamed Verizon Northwest Inc. after closing of the proposed transaction.

Retail Service Rates:

2. For a minimum period of three (3) years after the close of the transaction, Frontier NW shall cap the rates for Retail Flat and Measured Rate Business Services (1FB and 1MB), and PBX, Centrex, and interstate and intrastate special access services, at their levels in effect at the close of the transaction. Frontier NW may petition the Commission to seek recovery from the impact of exogenous events that materially impact the operations of the Verizon NW transferred exchanges, including but not limited to, orders of the Federal Communications Commission ("FCC") and this Commission (such as a generic intrastate access proceeding); DoD/FEA may file to participate in the Commission's consideration of such a petition by Frontier.

Q. WHAT ARE THE OBJECTIVES OF THE FIRST PARAGRAPH?

A. The first paragraph has three objectives. The first is to require Frontier to provide quarterly reports of its service quality metrics, as opposed to the annual reports called for in the Staff-Verizon-Frontier ("Staff") Settlement. It could be argued that annual reports might not provide a timely enough alert as to whether Frontier is achieving its promised level of high service quality. Effectively, the Commission and Frontier's customers must wait a full year before the evidence of any service quality problem comes to light. DoD/FEA believes that this might be too long a delay before ameliorative action can be taken. Frontier has agreed to issue quarterly reports and to make them public. In order not to complicate further the Commission's and Frontier's service quality measurements, the first paragraph cites the standards in paragraph 20 of the Staff's settlement. Even if that settlement is subsequently altered, those standards are incorporated by reference into this DoD/FEA settlement.

The second objective is to ensure that Frontier develops and implements a clearly specified plan to resolve any service inadequacies, complete with a committed

1 detailed budget. This provision will ensure a more focused response by Frontier
2 to any service performance issues.

3 The third objective is to ensure that there are funds set aside to implement
4 Frontier's plan to resolve any service issues that may arise. The paragraph
5 requires an in- place Frontier process to ensure the tracking of the funding and
6 expenditures on a monthly basis until the problems are resolved. This provision
7 will prevent any diversion of the designated funds to other uses, such as to
8 dividends to the parent company.

9 **Q. WHAT IS THE OBJECTIVE OF THE SECOND PARAGRAPH?**

10 A. The objective of the second paragraph is to expand the three-year rate cap from
11 residential basic service to the basic services used by business customers such as
12 the diverse range of offices and installations of DoD/FEA. If only residential
13 rates are capped, then Frontier will likely seek to resolve any perceived revenue
14 inadequacies by increasing business service rates. This provision ensures that
15 during a 3-year transition period business customers receive the same stability and
16 protection from rate increases that residential customers would enjoy.

17 **Q. IS THIS SETTLEMENT IN THE PUBLIC INTEREST?**

18 A. Yes. The enhanced service quality reporting and resolution will benefit all
19 Frontier customers. The expanded rate cap will benefit all business and
20 institutional customers, including the governments of the state of Washington and
21 of all counties and municipalities in Frontier's service territory.

22 The agreement was the product of "gives" and "takes" of the negotiation process.

23 Generally, the overall results add certainty and protections building on the

1 significant foundation of the Staff Settlement and resolve all issues raised by
2 DoD/FEA in this proceeding. This settlement is in the public interest and should
3 be approved.

4 Not to approve the settlement would effectively require Verizon to continue to
5 operate in a state it wishes to exit and serve customers it would prefer not to have.

6 While there are legitimate risks in transferring Verizon's service territory to
7 Frontier, that company appears eager to expand the scope of services offered in
8 Washington, particularly high-speed Internet service. With its experience in
9 providing rurally oriented local exchange carrier services and the safeguard
10 conditions of the Staff, DoD/FEA and other (wholesaler market) Settlements, I
11 believe, on balance, approval of the Verizon-Frontier transaction in Washington is
12 in the public interest.

13 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?**

14 **A. Yes. It does.**