

Docket No. UT-170042 - Vol. II

In the Matter of CenturyLink

May 25, 2017



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BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Notice of)
Transaction and Application of)
CENTURYLINK) Docket No. UT-170042
)
For an Order Declining to Assert)
Jurisdiction Over, or in the)
Alternative, Expedited Approval)
of the Indirect Transfer of)
Control of Level 3)
Communications, LLC, Broadwing)
Communications, LLC, Witel)
Communications, LLC, Global)
Crossing Telecommunications,)
Inc., and Level 3 Telecom of)
Washington, LLC to CenturyLink,)
Inc.)

SETTLEMENT HEARING
VOLUME II, PAGES 37 - 104
ADMINISTRATIVE LAW JUDGE GREGORY J. KOPTA

9:27 a.m.
May 25, 2017
Washington Utilities and Transportation Commission
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Kristie C. Ince (via phone)

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EVIDENTIARY HEARING
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<p>1 OLYMPIA, WASHINGTON, MAY 25, 2017</p> <p>2 9:27 a.m.</p> <p>3</p> <p>4 P R O C E E D I N G S</p> <p>5</p> <p>6 JUDGE KOPTA: All right. Let's be on the</p> <p>7 record in Docket UT-170042, short-captioned In the</p> <p>8 Matter of the Notice of Transaction and Application of</p> <p>9 CenturyLink.</p> <p>10 Today is Thursday, May 25th. We are here</p> <p>11 for a hearing on the proposed settlement agreement</p> <p>12 between the parties.</p> <p>13 I'm Gregory J. Kopta, the administrative law</p> <p>14 judge who is presiding at this proceeding. We will be</p> <p>15 joined shortly by the commissioners. In the meantime,</p> <p>16 we will postpone appearances until the commissioners</p> <p>17 join us, as well as swearing in the witnesses.</p> <p>18 But we want to, at this point, admit the</p> <p>19 exhibits. I have provided an exhibit list. All parties</p> <p>20 have stipulated to the admission of all of the exhibits</p> <p>21 on the list, and, therefore, all of those exhibits are</p> <p>22 admitted into the record.</p> <p>23 (All exhibits were admitted.)</p> <p>24 JUDGE KOPTA: And unless there's anything</p> <p>25 else that we need to discuss before the commissioners</p>	<p>1 JUDGE KOPTA: Thank you. We have the</p> <p>2 witnesses empanelled. I will ask them at this point,</p> <p>3 including those who are on the bridge line, to stand and</p> <p>4 raise their right hand.</p> <p>5 (All witnesses sworn.)</p> <p>6 JUDGE KOPTA: You may be seated. All right.</p> <p>7 Counsel, do you want to introduce your</p> <p>8 witnesses?</p> <p>9 MS. ANDERL: Yes, your Honor. I can either</p> <p>10 do it directly or through questions. We have, for the</p> <p>11 Company, Mark Reynolds here on the stand. And</p> <p>12 Mr. Balhoff, Mike Balhoff, on via phone.</p> <p>13</p> <p>14 Mr. Reynolds and Mr. Balhoff both filed</p> <p>15 direct testimony, which has already been admitted into</p> <p>16 the record, and Mr. Reynolds is sponsoring the joint</p> <p>17 settlement testimony on behalf of the Company.</p> <p>18 JUDGE KOPTA: All right.</p> <p>19 And for Staff?</p> <p>20 MS. CAMERON-RULKOWSKI: For Staff, we have</p> <p>21 Jing Roth. And Jing Roth filed joint testimony in</p> <p>22 support of the settlement, and that's Exhibit No. JT-1T.</p> <p>23 JUDGE KOPTA: Thank you.</p> <p>24 And Public Counsel?</p> <p>25 MR. BRYANT: For Public Counsel, Corey Dahl</p>
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<p>1 come in, we are off the record.</p> <p>2 (Brief pause in the proceedings.)</p> <p>3 JUDGE KOPTA: All right. Let's be back on</p> <p>4 the record. I am now joined on the bench by Chairman</p> <p>5 Danner and Commissioners Rendahl and Balasbas.</p> <p>6 And we will now take appearances from the</p> <p>7 parties, beginning with the Company.</p> <p>8 MS. ANDERL: Thank you, your Honor. Good</p> <p>9 morning Chairman Danner, Commissioners. I'm Lisa</p> <p>10 Anderl, and I'm in-house counsel for CenturyLink. Do</p> <p>11 you want my --</p> <p>12 JUDGE KOPTA: No, that's sufficient.</p> <p>13 MS. ANDERL: -- all of the dog tag</p> <p>14 information, or just that?</p> <p>15 JUDGE KOPTA: That's sufficient.</p> <p>16 MS. ANDERL: Thank you.</p> <p>17 JUDGE KOPTA: Mr. Trinchero?</p> <p>18 MR. TRINCHERO: Thank you, your Honor. Mark</p> <p>19 Trinchero on behalf of Level 3 Communications.</p> <p>20 JUDGE KOPTA: And for Commission staff?</p> <p>21 MS. CAMERON-RULKOWSKI: Jennifer</p> <p>22 Cameron-Rulkowski, Assistant Attorney General.</p> <p>23 JUDGE KOPTA: And Public Counsel?</p> <p>24 MR. BRYANT: Armikka Bryant, Assistant</p> <p>25 Attorney General.</p>	<p>1 is testifying. Mr. Dahl also submitted joint testimony</p> <p>2 in his Exhibit JT-1T.</p> <p>3 JUDGE KOPTA: All right. Thank you,</p> <p>4 Mr. Bryant.</p> <p>5 MR. TRINCHERO: And your Honor, on behalf of</p> <p>6 Level 3 Communications, we have Kristie Ince on the</p> <p>7 bridge line.</p> <p>8 JUDGE KOPTA: All right. Thank you.</p> <p>9 Ms. Ince and Mr. Balhoff, are you on the</p> <p>10 bridge line?</p> <p>11 MS. INCE (via phone): We are -- I am.</p> <p>12 MR. BALHOFF (via phone): I am.</p> <p>13 JUDGE KOPTA: Great. Thank you. All right.</p> <p>14 This is a multi-party settlement in which</p> <p>15 all parties have participated, so there's no</p> <p>16 cross-examination. We will just have questioning from</p> <p>17 the commissioners.</p> <p>18 So I will turn to them and see which of you</p> <p>19 would like to begin questioning.</p> <p>20 CHAIRMAN DANNER: Sure. All right. Good</p> <p>21 morning. First of all, I just want to make sure, what</p> <p>22 is the standard for approval of this -- of what's before</p> <p>23 us today? Is it a public interest standard? Is it a</p> <p>24 net benefit standard? Is it a no-harm standard?</p> <p>25 JUDGE KOPTA: That might be a question --</p>

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<p>1 CHAIRMAN DANNER: That might be a question</p> <p>2 for Counsel.</p> <p>3 MS. ANDERL: Yes, your Honor. I believe we</p> <p>4 covered that in testimony. I'll try to do it from</p> <p>5 memory.</p> <p>6 My understanding and recollection of the</p> <p>7 rules that apply are that the Commission shall approve</p> <p>8 the transaction unless they find it inconsistent with</p> <p>9 the public interest. It's an odd little double-negative</p> <p>10 but --</p> <p>11 CHAIRMAN DANNER: Okay. So -- and that's</p> <p>12 why I'm asking the question, because I just -- I didn't</p> <p>13 recall the odd double-negative in the standard.</p> <p>14 JUDGE KOPTA: Well, just for clarification,</p> <p>15 the rule does say that the Commission will approve it if</p> <p>16 it's lawful, supported by an adequate record and</p> <p>17 consistent with the public interest. That's what our</p> <p>18 rule states.</p> <p>19 MS. CAMERON-RULKOWSKI: And I could jump in</p> <p>20 and let you know that it's WAC 480-143-170, and the</p> <p>21 exact language is, "If upon the examination of any</p> <p>22 application and accompanying exhibits, or upon a hearing</p> <p>23 concerning the same, the Commission finds the proposed</p> <p>24 transaction is not consistent with the public interest,</p> <p>25 it shall deny the application."</p>	<p>1 law, correct?</p> <p>2 MS. ANDERL: Yes.</p> <p>3 MS. CAMERON-RULKOWSKI: Your Honor, if I can</p> <p>4 add, RCW 80.12.020, which is Order required to sell</p> <p>5 merge, et cetera, the -- in that Section 1, the last</p> <p>6 paragraph, I believe that's what you're referring to,</p> <p>7 and that reads, "The Commission shall not approve any</p> <p>8 transaction under this section that would result in a</p> <p>9 person, directly or indirectly, acquiring a controlling</p> <p>10 interest in a gas or electric company without a finding</p> <p>11 that the transaction would provide a net benefit to the</p> <p>12 customers of the company."</p> <p>13 COMMISSIONER RENDAHL: Thank you.</p> <p>14 CHAIRMAN DANNER: Okay. Thank you.</p> <p>15 MS. ANDERL: Ms. Cameron-Rulkowski advised</p> <p>16 me that she was going all electronic this morning, no</p> <p>17 paper, and I see that it's working to everyone's benefit</p> <p>18 that she can access these statutes.</p> <p>19 CHAIRMAN DANNER: All right. Well, thank</p> <p>20 you for that preliminary matter.</p> <p>21 A question for Mr. Reynolds. On page 3 of</p> <p>22 your direct testimony, you indicate that the transaction</p> <p>23 will improve services to enterprise customers and the</p> <p>24 financial condition of the combined company. And then</p> <p>25 you say, with respect to the residential customers, that</p>
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<p>1 CHAIRMAN DANNER: Okay.</p> <p>2 COMMISSIONER RENDAHL: So this is the --</p> <p>3 this is the settlement standard.</p> <p>4 MS. CAMERON-RULKOWSKI: This is the standard</p> <p>5 for approving the merger. And then the general</p> <p>6 settlement standard, the Commission generally looks at</p> <p>7 the public interest.</p> <p>8 COMMISSIONER RENDAHL: So the settlement --</p> <p>9 the merger standard, though, my understanding was that</p> <p>10 it's a net benefit to the customers of the company.</p> <p>11 MS. ANDERL: Your Honor --</p> <p>12 COMMISSIONER RENDAHL: And so --</p> <p>13 MS. ANDERL: -- I think that that is true</p> <p>14 for gas and electric, but it has not been designated as</p> <p>15 such for telecommunications transactions.</p> <p>16 COMMISSIONER RENDAHL: All right. So my</p> <p>17 understanding is that the standard in 80.12.020 was set</p> <p>18 in 2009, right? And so that 80.12.020 standard applies</p> <p>19 to all companies in Title 80, not just gas and electric.</p> <p>20 That was my understanding. So maybe we need a little</p> <p>21 discussion from counsel on this, but --</p> <p>22 MS. ANDERL: Sure.</p> <p>23 COMMISSIONER RENDAHL: -- we're also</p> <p>24 approving a settlement, and the settlement standard is</p> <p>25 public interest supported by evidence not contrary to</p>	<p>1 the merger will not adversely harm these consumers.</p> <p>2 So the question is, is it possible -- I</p> <p>3 mean, you're using the modifier "adversely" with the</p> <p>4 word "harm," and I'm just wondering, is it possible</p> <p>5 there will be harm to residential consumers in the</p> <p>6 Company's view? I mean, why did you say "adversely</p> <p>7 harm" as opposed to "harm"?</p> <p>8 MR. REYNOLDS: Poor wording.</p> <p>9 CHAIRMAN DANNER: Okay. So there's no</p> <p>10 significance in your -- to that addition?</p> <p>11 MR. REYNOLDS: No. And in fact, you know,</p> <p>12 all of our commitments and all of our regulations that</p> <p>13 govern us as a regulated entity in this state will</p> <p>14 continue after the transaction's over. We still have</p> <p>15 UTC obligations to support the residential and business</p> <p>16 customers that have exchange services in this state, so</p> <p>17 nothing changes there.</p> <p>18 CHAIRMAN DANNER: Okay. So we're -- you're</p> <p>19 proposing the Company will take on considerable new debt</p> <p>20 to finance this acquisition. And so what I'd like you</p> <p>21 to address is, how can we be assured there will be no</p> <p>22 harm or adverse harm to residential customers when the</p> <p>23 Company -- when the Company essentially admits that it's</p> <p>24 going to be taking on this new debt?</p> <p>25 MR. REYNOLDS: Well, I think a lot of</p>

<p style="text-align: right;">Page 49</p> <p>1 that -- and I might defer to Mr. Balhoff here in a 2 minute to talk a little bit about the run rate synergies 3 that this transaction accompanies. And our run rate 4 synergies, after everything is paid, are still double 5 the increased debt burden or interest on the debt. 6 And we do not expect any impact on any of 7 our services; in fact, we expect just the opposite. 8 With the revenue growth, the run rate synergies, we 9 think that this will be accretive to our net cash flow. 10 Level 3 comes with significant net operating loss 11 credits that we can use against revenues in future 12 years. And it's really quite -- I'm not saying it's 13 ironclad, but it's about as close as you can get in a 14 transaction like this. 15 Also involved is the \$2 billion revolving 16 credit facility, and CenturyLink has carried such a 17 facility with it from the last transaction, and that's 18 a -- that's a safety net on top of all of the financials 19 that I just shared with you. 20 You know, I do not think residential service 21 will be impacted by this. The type of transaction that 22 it is is that -- it's the marrying of an enterprise-only 23 company, a fiber-based company that does not sell to 24 residential exchange service customers, and really the 25 enterprise portion of CenturyLink, those -- those two</p>	<p style="text-align: right;">Page 51</p> <p>1 Are the residential customers going to 2 continue to receive the service that we have 3 historically required? Are these job cuts that you're 4 talking about, are they going to -- is this going to be 5 at the expense of residential, while the enterprise, 6 which is probably the area the company is more focused 7 on, moves forward? 8 MR. REYNOLDS: Well, we take our obligation 9 to satisfy our regulations, our service quality metrics 10 very seriously, and there is teeth in most of those 11 obligations both at the FCC level and the state if we 12 miss our metrics. And so we have all the incentive in 13 the world to continue to offer the same level of service 14 to our residential and business exchange service-type 15 customers. 16 I would add one thing relative to the state 17 of Washington. Level 3 employs approximately 105 18 employees in the state of Washington. CenturyLink 19 employs probably 1500 to 2000 employees. I'm assuming 20 that Level 3 is pretty right-sized and that there is 21 really no back office operations, per se, in the state 22 of Washington. 23 And I know that for CenturyLink, we do have 24 some supporting administrative operations, but most of 25 those operations are located in Monroe or Denver,</p>
<p style="text-align: right;">Page 50</p> <p>1 entities are merging. Our regulated exchange service 2 should remain untouched during this entire transaction 3 in the years that follow. 4 CHAIRMAN DANNER: Okay. So I think what I'm 5 driving at, and I'd just like to have this in the 6 record, is that I don't -- these -- a lot of the 7 efficiencies you're talking about, and essentially a lot 8 of that's going to be job cuts, right? 9 MR. REYNOLDS: It will be job cuts maybe, to 10 a certain extent, but I don't think it will -- it will 11 affect the operations, per se. Level 3 is right-sized 12 to serve its enterprise customers. CenturyLink is 13 right-sized to serve its residential business and 14 enterprise customers. Those are critical functions to 15 maintain the service levels as they currently exist. 16 I think the synergies are going to be found 17 in duplicate systems, HR systems, back office systems, 18 payroll, accounting systems, and that's typically where, 19 you know, the type of synergies that we're talking about 20 are achieved during a transaction like this. 21 CHAIRMAN DANNER: Okay. So my concern, and 22 what I'm driving at is, I don't want to -- I need to be 23 comfortable that you're not going to be moving the 24 investment over to the enterprise side at the expense of 25 the residential customers.</p>	<p style="text-align: right;">Page 52</p> <p>1 Colorado. And I think that's where you'll see, you 2 know, the right-sizing and ensuring that we don't have 3 duplicate functions occurring, and the majority of the 4 synergies will come from those areas. 5 MR. BALHOFF: Commissioner, this is Mike 6 Balhoff representing CenturyLink also. The estimates 7 with respect to head count synergies are less than 8 one-third of the entire synergies that were expected, 9 and that included the network capital expenditures that 10 are expected out there, so just to provide some detail. 11 CHAIRMAN DANNER: Okay. So if we approve 12 this merger and we begin running into service problems 13 for residential customers, like delayed installs or 14 service deterioration, what are the tools that -- I 15 mean, are we going to continue to have the tools to 16 enforce -- 17 MR. REYNOLDS: Absolutely. I don't think 18 anything changes there. And I'll go back, you know, 19 roughly contemporaneous with the CenturyLink acquisition 20 of Qwest, we had, you know, some service issues. Staff 21 called us in, we took a look at it, we explained many of 22 them as being weather related. And those that didn't, 23 we've -- you know, we essentially put processes in place 24 to improve service quality in those areas. 25 I see it functioning the same way, and, you</p>

<p style="text-align: right;">Page 53</p> <p>1 know, the Commission has authority over service quality.</p> <p>2 They can call us in and, you know, we will react to fix</p> <p>3 whatever issues that we have.</p> <p>4 CHAIRMAN DANNER: Okay.</p> <p>5 COMMISSIONER RENDAHL: Just to follow up on</p> <p>6 that line of questions, Mr. Reynolds and Mr. Balhoff,</p> <p>7 first you, Mr. Balhoff, in your Exhibit MJB-4 -- do you</p> <p>8 have that in front of you?</p> <p>9 MR. BALHOFF: Yes, I do.</p> <p>10 COMMISSIONER RENDAHL: Okay. And if you</p> <p>11 turn to what's at the top right, it says Page 6, and at</p> <p>12 the bottom of the page it's actually Page 10 of the --</p> <p>13 of the transcript.</p> <p>14 At the bottom, it talks about some of these</p> <p>15 employee reduction and employee expenses or</p> <p>16 employee-related costs. And just to clarify, what is</p> <p>17 your understanding of where those employee-related cost</p> <p>18 reductions will come from?</p> <p>19 MR. BALHOFF: I have been informed that none</p> <p>20 of those are going to be coming out of the ILEC</p> <p>21 operations, that there are administrative and billing</p> <p>22 and various other functions that are being provided, so</p> <p>23 that when I indicate that the total head count</p> <p>24 reductions are supposed to be less than one-third, my</p> <p>25 understanding is it has nothing to do with the ILEC</p>	<p style="text-align: right;">Page 55</p> <p>1 they have, in every single instance, beaten the synergy</p> <p>2 estimates, so I would expect that that track record</p> <p>3 would be continued going forward.</p> <p>4 With respect to how they would handle</p> <p>5 managing to the targets that they have, there are a lot</p> <p>6 of different variables or levers that the Company could</p> <p>7 pull, and those levers include the fact that the</p> <p>8 Company, as Mr. Reynolds has pointed out, has a \$2</p> <p>9 billion revolver that they should be able to handle</p> <p>10 shortfalls. They can manage discretionary spending,</p> <p>11 such as new projects, or expansion into new markets,</p> <p>12 research and development, advertising, personnel costs.</p> <p>13 There are always capital expenditure issues.</p> <p>14 And it's interesting, the data center sale that was</p> <p>15 closed on May 1st, in that particular case, the Company</p> <p>16 made quite clear that it was too capital intensive, and,</p> <p>17 therefore, they wanted to manage their cash better, and</p> <p>18 so that's another way to do it.</p> <p>19 Obviously, if they fell short, they could</p> <p>20 disconnect nonstrategic assets as they've done. They</p> <p>21 could obviously just simply refinance their debt at</p> <p>22 lower rates, which is exactly what's occurring at the</p> <p>23 present where their rates were around 6.7 and now the --</p> <p>24 I don't know what the blended rate's going to be, but</p> <p>25 the new financings have generally been coming in in the</p>
<p style="text-align: right;">Page 54</p> <p>1 operations.</p> <p>2 COMMISSIONER RENDAHL: Okay.</p> <p>3 And Mr. Reynolds, that's your understanding</p> <p>4 as well?</p> <p>5 MR. REYNOLDS: It is.</p> <p>6 COMMISSIONER RENDAHL: Okay.</p> <p>7 Mr. Balhoff, you also -- in your testimony,</p> <p>8 you indicate that the initial effect of the transaction</p> <p>9 on net leverage would increase the Company's traditional</p> <p>10 target of 3 to 3.7 or more, but you have confidence that</p> <p>11 that leverage will improve over a few years.</p> <p>12 Is that a correct understanding of your</p> <p>13 testimony?</p> <p>14 MR. BALHOFF: Commissioner, that is correct.</p> <p>15 COMMISSIONER RENDAHL: And so what happens</p> <p>16 if you're wrong and the Company doesn't achieve its</p> <p>17 financial objectives? How would this -- will this</p> <p>18 affect the Company's service obligations to its</p> <p>19 Washington ILEC customers?</p> <p>20 MR. BALHOFF: Commissioner, I would expect</p> <p>21 not, but let me provide a little bit of detail.</p> <p>22 First of all, I was an analyst that followed</p> <p>23 this company for an extended period of time when I was a</p> <p>24 publishing sell-side analyst at Legg Mason, and I have</p> <p>25 followed virtually every one of their transactions. And</p>	<p style="text-align: right;">Page 56</p> <p>1 4 percent range, and in extreme circumstances, if push</p> <p>2 came to shove, that they have dividends that they're</p> <p>3 paying that they would not want to alter because those</p> <p>4 investors should get an appropriate return on their</p> <p>5 capital. But that remains a possibility, too.</p> <p>6 So I would be very, very surprised, with all</p> <p>7 the levers that they can pull, if they were not able to</p> <p>8 achieve the targets that they've indicated, and they've</p> <p>9 done so very consistently over the last 20 years.</p> <p>10 COMMISSIONER RENDAHL: Thank you.</p> <p>11 So Ms. Roth and Mr. Dahl, you've heard these</p> <p>12 questions and the answers. In Section 5.1 of the</p> <p>13 settlement, you've agreed to some provisions relating to</p> <p>14 maintenance of the network. Can you describe why this</p> <p>15 is -- why this was important to you all to include in</p> <p>16 the settlement and, in particular, what you're going to</p> <p>17 do if things differ from what you expect?</p> <p>18 MS. ROTH: This is very important to Staff.</p> <p>19 You just heard the Company says that the -- this</p> <p>20 transaction doesn't impact ILEC, their expenditures for</p> <p>21 network maintenance. So Staff will also have a report</p> <p>22 every year to make sure they don't fall below the</p> <p>23 average expenditures per line on yearly basis [sic].</p> <p>24 What we will do, Staff will review the</p> <p>25 information filed by the Company. And also in our</p>

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<p>1 settlement conditions, we have also said the Company 2 need to provide an explanation if they fall below that 3 level of expenditure. We will also review that 4 explanation, do some follow-ups.</p> <p>5 Our current plan is, if the Company's filed 6 report fall below the average expenditures per month, if 7 that cause sufficiently Staff's concern, we will inform 8 the Commission. We also have rules today to make sure 9 the Company has network reliability and safety.</p> <p>10 COMMISSIONER RENDAHL: Okay.</p> <p>11 And can you -- well, Mr. Dahl, do you have 12 anything to add to Ms. Roth's statements?</p> <p>13 MR. DAHL: No. From the perspective of 14 Public Counsel, you know, network reliability and 15 service quality is obviously of great importance to 16 ratepayers, so we are mindful of that, which is why we 17 joined Staff on this particular commitment from the 18 Company. And we will you, know, work with Staff as 19 appropriate if we do see any inconsistencies or changes 20 in investments in the network.</p> <p>21 COMMISSIONER RENDAHL: Okay.</p> <p>22 And for all the panelists, why is this 23 measure for only three years? Why doesn't this go 24 beyond three years?</p> <p>25 Ms. Roth, you're raising your hand.</p>	<p>1 three-year period, there might be cause for concern, 2 there might not be, you know, we'll have to explain that 3 to the extent that this report shows that we're below 4 average on our -- on our expenses.</p> <p>5 So I think three years was a reasonable 6 period of time. It does sync up with the AFOR. It 7 gives the Commission the ability, if there's anything 8 there, when we're negotiating the next AFOR.</p> <p>9 COMMISSIONER RENDAHL: And just one -- just 10 clarification for the record. So the term "run rate 11 synergies" is used in the -- in the testimony, and you 12 all have used it this morning. And not being a 13 financial analyst, I had to actually look that up.</p> <p>14 So to make sure it's in the record, can you 15 explain it for the record?</p> <p>16 MR. REYNOLDS: You know, I think I might let 17 Mike Balhoff do that.</p> <p>18 COMMISSIONER RENDAHL: Thank you.</p> <p>19 MR. REYNOLDS: He gets paid the big bucks 20 for that.</p> <p>21 MR. BALHOFF: I didn't hear about that.</p> <p>22 The run rate is typically when you try to 23 normalize the financial figures, so sometimes costs are 24 too high and so you try to normalize for that.</p> <p>25 And in this particular case, the way it is</p>
Page 58	Page 60
<p>1 MS. ROTH: I want to make sure they don't 2 want to -- I said, I want to answer it.</p> <p>3 COMMISSIONER RENDAHL: You go ahead first 4 and then they can add on if they want to.</p> <p>5 MS. ROTH: The three years is because of 6 CenturyLink's AFOR. The AFOR expires in January -- I 7 should say on January 9, 2021. So we will have a report 8 coming in for two thousand seven -- well, I don't know 9 if they're coming in 2017 or not, because it's the 10 date -- so 2018, 2019 and 2020.</p> <p>11 COMMISSIONER RENDAHL: Okay.</p> <p>12 So the various provisions in the settlement 13 that extends through the end of 2020 are set to sync up 14 with the timing on the AFOR, and should we want to -- 15 should the Company seek to extend its AFOR, then we can 16 bring this issue up later?</p> <p>17 MS. ROTH: You are correct.</p> <p>18 COMMISSIONER RENDAHL: Okay.</p> <p>19 Mr. Reynolds?</p> <p>20 MR. REYNOLDS: I would also add that that 21 three-year period -- and Mr. Balhoff can weigh in as 22 well -- but that typically is the period of time to 23 evaluate the run rate synergies and it -- you know, is 24 the Company essentially coming together as planned.</p> <p>25 So, you know, if we see anything during that</p>	<p>1 being used is that the Company is assuming \$975 million 2 worth of annual benefits, or cash flow synergies, that 3 it will be able to realize. So each year, \$975 million.</p> <p>4 However, that will not really be realized in 5 year one or year two, but the Company's indication at 6 this particular time is that it should have realized 7 80 percent of the operating run rates or operating 8 synergies by year three. And it expects to realize 9 100 percent of the 125 million capital expenditure 10 synergies by year three.</p> <p>11 So to Mr. Reynolds' point, by that 12 particular point in time, we should have a pretty good 13 idea how the Company's performing on its synergies.</p> <p>14 When we use run rate in that initial period and we say 15 3.7 times, we're assuming that they are realizing 975 16 million in order to generate that particular ratio, but 17 they will not realize it quite up to that point in time.</p> <p>18 I should point out, however, from year one, 19 the Company expects to be cash flow accretive, so better 20 off per share as of the first year, and significantly so 21 by the second year. So during this three-year period, 22 we should have a much better idea of whether or not 23 they're actually on target to realize their synergies.</p> <p>24 COMMISSIONER RENDAHL: Thank you very much.</p> <p>25 Appreciate it.</p>

<p style="text-align: right;">Page 61</p> <p>1 MS. ANDERL: And Mr. Balhoff, I think you're</p> <p>2 talking clearly and slowly, but it is still -- I can</p> <p>3 tell from the court reporter's face -- a bit of a</p> <p>4 challenge to pick you up on just by phone. So if you</p> <p>5 can actually slow it down a little bit more and speak</p> <p>6 more directly into the handset, that would be great.</p> <p>7 Thank you.</p> <p>8 MR. BALHOFF: Okay. That would be great.</p> <p>9 COMMISSIONER BALASBAS: So Ms. Roth, I want</p> <p>10 to follow up on the questions that Commissioner Rendahl</p> <p>11 asked a minute ago about the reports that Staff will</p> <p>12 receive over the next three years.</p> <p>13 And while the report is looking for</p> <p>14 maintenance expenses based on the most recent three-year</p> <p>15 average, what -- what would happen if the report comes</p> <p>16 in and the expenses are below the three-year average,</p> <p>17 but there are no issues of service reliability or</p> <p>18 network issues, and that's the Company's explanation,</p> <p>19 what would Staff do with that explanation? And would</p> <p>20 that be a cause -- as you say, something of concern?</p> <p>21 MS. ROTH: So if the expenditure fell below</p> <p>22 the average of the three years, Staff would be asking,</p> <p>23 you know, why, but the Company's explanation could be</p> <p>24 because of some technology breakthrough. And the</p> <p>25 efficiency gains from that technology could be</p>	<p style="text-align: right;">Page 63</p> <p>1 testimony, you stated that no ILEC assets are being</p> <p>2 pledged to the financing of -- or to help pledge to the</p> <p>3 financing of the acquisition.</p> <p>4 Isn't the pledge of the Qwest Corporation</p> <p>5 stock -- I mean, that's a big exception to that -- to</p> <p>6 that general statement?</p> <p>7 MR. BALHOFF: No, that's not correct,</p> <p>8 Commissioner. The reality is that they're pledging the</p> <p>9 stock, but no assets. So when assets are pledged, it's</p> <p>10 possible in a default to capture certain assets of the</p> <p>11 company in order to resolve that particular obligation.</p> <p>12 In this case, it would be the stock that could be</p> <p>13 captured theoretically, but not the assets of the</p> <p>14 company.</p> <p>15 COMMISSIONER BALASBAS: So am I correct in</p> <p>16 hearing your answer to that, that in the event of a debt</p> <p>17 default, it would be the stock of Qwest Corporation,</p> <p>18 none of the ILEC assets, so it aligns with sort of any</p> <p>19 other assets of the company?</p> <p>20 MR. BALHOFF: That would be correct. So it</p> <p>21 would be like I invest in US West stock, I personally, I</p> <p>22 could never capture, by virtue of that stock, the assets</p> <p>23 of the corporation, but I could sell my shares, or I</p> <p>24 could enlarge the number of shares that I have ownership</p> <p>25 over.</p>
<p style="text-align: right;">Page 62</p> <p>1 sufficient that we don't have any concerns.</p> <p>2 COMMISSIONER BALASBAS: Okay.</p> <p>3 So would you agree, then, if the Company did</p> <p>4 report expenses coming in below that, and it's due to</p> <p>5 efficiencies without any service or network quality,</p> <p>6 that that is also in the interest of ratepayers?</p> <p>7 MS. ROTH: That's right.</p> <p>8 COMMISSIONER BALASBAS: Okay.</p> <p>9 Mr. Reynolds, do you have any comment to add</p> <p>10 to that?</p> <p>11 MR. REYNOLDS: No. I think Ms. Roth covered</p> <p>12 it very well.</p> <p>13 COMMISSIONER BALASBAS: Mr. Dahl, do you</p> <p>14 have anything to add?</p> <p>15 MR. DAHL: I don't.</p> <p>16 COMMISSIONER BALASBAS: Okay.</p> <p>17 My next question is for Mr. Balhoff, and</p> <p>18 this goes to the financing of the -- the proposed</p> <p>19 financing of the acquisition.</p> <p>20 One of the pieces in the -- in the financing</p> <p>21 is the pledge of Qwest Corporation stock to -- I</p> <p>22 believe, if I understand correctly, that is to help the</p> <p>23 guarantee of the debt; is that correct?</p> <p>24 MR. BALHOFF: That is correct.</p> <p>25 COMMISSIONER BALASBAS: So -- and in your</p>	<p style="text-align: right;">Page 64</p> <p>1 But in this particular case, there would not</p> <p>2 be a seizing of the assets or a -- some sort of</p> <p>3 prejudice of the operations.</p> <p>4 CHAIRMAN DANNER: I just want to make sure I</p> <p>5 understand how that works. So if there's a bankruptcy</p> <p>6 that requires a sale or a change of control, how -- so</p> <p>7 the only thing that would be at issue there would be the</p> <p>8 stock and not the assets of the corporation?</p> <p>9 MR. BALHOFF: That would be correct. Again,</p> <p>10 I want to step back and simply say that I have trouble</p> <p>11 imagining a scenario in which the stock would actually</p> <p>12 be conveyed to the lender in this particular case,</p> <p>13 because there are so many different ways in which the</p> <p>14 Company could resolve it.</p> <p>15 So let me pick the extreme situation that I</p> <p>16 mentioned earlier, and that is that the Company is going</p> <p>17 to be paying approximately 2.3 billion in dividends to</p> <p>18 equity shareholders. I would expect, if there were any</p> <p>19 problem meeting the obligations, that the dividend would</p> <p>20 be -- would be eliminated or would be curtailed</p> <p>21 significantly.</p> <p>22 And there are many different ways in which</p> <p>23 the Company could manage that problem, including the</p> <p>24 fact that there are other obligations associated with</p> <p>25 other subsidiaries of Century, so I think that the</p>

<p style="text-align: right;">Page 65</p> <p>1 scenario associated with this would be extremely 2 unlikely.</p> <p>3 CHAIRMAN DANNER: Yeah. We sometimes like 4 to delve into worst-case scenarios here just to make 5 sure we know what could arise, however unlikely.</p> <p>6 And I'm trying to imagine, in such a 7 circumstance, what's the Commission's role? I mean, it 8 would be a -- if there's a change in control, I would 9 expect that would come before us as well.</p> <p>10 Is that your understanding, Mr. Reynolds? 11 MR. REYNOLDS: Yes, it is.</p> <p>12 CHAIRMAN DANNER: And Mr. Dahl and Mr. 13 Balhoff?</p> <p>14 MR. BALHOFF: Yes. 15 MR. DAHL: Yes.</p> <p>16 CHAIRMAN DANNER: Okay.</p> <p>17 Mr. Dahl, I neglected when I was asking 18 Mr. Reynolds questions earlier, I wanted to get your 19 view on that, too. Is it your view that what's before 20 us today, if we approve it, is not going to adversely 21 harm or harm residential customers?</p> <p>22 MR. DAHL: Based on our understanding, we 23 did retain an economist earlier as an analyst, and he 24 looked at the numbers, and it -- it seems to be 25 consistent.</p>	<p style="text-align: right;">Page 67</p> <p>1 going to occur?</p> <p>2 MS. ROTH: Well, the settlement itself says 3 notify the Commission staff. That word was used to try 4 to capture possible future technology breakthrough like 5 fax or some other way of communications that you and me 6 do not know about today.</p> <p>7 In my testimony, we say we prefer a phone 8 call because that's the most efficient way, and it makes 9 sense, and most of the other company [sic] do so.</p> <p>10 That's why it's in my testimony we say, we prefer a 11 phone call.</p> <p>12 CHAIRMAN DANNER: Judge, I'm hearing some 13 noise.</p> <p>14 JUDGE KOPTA: Yes. We're experiencing some 15 interference on the bridge line. I'm not sure why. If 16 you're not speaking, would you please mute your phone? 17 No, that's still not doing it.</p> <p>18 CHAIRMAN DANNER: This might be a 19 CenturyLink problem.</p> <p>20 MS. ANDERL: I don't think so.</p> <p>21 MS. INCE: Would you like us to hang up and 22 call back in?</p> <p>23 CHAIRMAN DANNER: Yeah. We're hearing a 24 pretty distracting scratching noise.</p> <p>25 MS. INCE: Yeah, I'm hearing it.</p>
<p style="text-align: right;">Page 66</p> <p>1 CHAIRMAN DANNER: Okay.</p> <p>2 So you're not seeing that there would be a 3 shift of resources towards the enterprise that would be 4 at the expense of the residential customers or services?</p> <p>5 MR. DAHL: Not in my understanding.</p> <p>6 CHAIRMAN DANNER: Okay. Thank you.</p> <p>7 I now want to ask you about provision 5.2, 8 the Major Outage Reporting. What -- what prompted you 9 to put this provision in the settlement, Mr. Dahl or 10 Ms. Roth, or any of the three of you?</p> <p>11 MS. ROTH: Well, major reporting is an 12 issue -- has been an issue for the Commission for a 13 while. As you know, in the 911 docket and the Simon 14 (phonetic) docket, we established a -- the Commission 15 established a communication plan.</p> <p>16 Staff's recent experience with the outages 17 in CenturyLink exchanges are not as good as they should 18 be, so we would like to use this opportunity to make 19 sure that we clarify our rule, what it means to notify 20 Staff. In our rule, we say as soon as possible. We'd 21 like to clarify that to say, we would like to have a 22 phone call within 30 minutes.</p> <p>23 CHAIRMAN DANNER: Okay.</p> <p>24 So it actually doesn't say phone call, and 25 that was my next question. How is the communication</p>	<p style="text-align: right;">Page 68</p> <p>1 JUDGE KOPTA: If everyone on the bridge line 2 would please hang up and then call back in, then that 3 might be helpful.</p> <p>4 MS. INCE: All right. Will do.</p> <p>5 JUDGE KOPTA: Thank you.</p> <p>6 CHAIRMAN DANNER: Let's give them a moment 7 to call in.</p> <p>8 JUDGE KOPTA: We're off the record. 9 (Brief pause in the proceedings.)</p> <p>10 JUDGE KOPTA: Let's be back on the record.</p> <p>11 CHAIRMAN DANNER: Okay.</p> <p>12 So with regard to provision 5.2, why is 13 there a time limit on this provision? It extends only 14 through 2020. Is that also just due to the AFOR and 15 syncing it up with the AFOR?</p> <p>16 MS. ROTH: Yes, we would like to see how the 17 Company have been doing, and it's possible during the 18 next three years we would ask the Commission to clarify 19 our rule to apply a standard to all the companies.</p> <p>20 Also, we considered the AFOR, and six months 21 prior to the expiration date of January, the Company 22 issuing that settlement in the AFOR docket, the company 23 will petition the Commission for either continue or 24 discontinue negotiating another form of -- alternating 25 form of regulation [sic].</p>

<p style="text-align: right;">Page 69</p> <p>1 CHAIRMAN DANNER: Okay.</p> <p>2 And also with regard to 5.2.2, why isn't the</p> <p>3 Company required to make the confidential designation</p> <p>4 under WAC 480-07-160? Why are we doing this</p> <p>5 differently?</p> <p>6 MS. ROTH: Well, I can give a try, but maybe</p> <p>7 the attorney from CenturyLink can answer that.</p> <p>8 First of all, the NORS report filed at FCC</p> <p>9 are confidential, designated confidential. And it is</p> <p>10 automated system, so if we want that -- we receive that</p> <p>11 at the same time that FCC without going through, for</p> <p>12 instance, Lisa Anderl's office to designate them each</p> <p>13 page, you know, we want it at the same time as FCC, so</p> <p>14 we would want to have basically exemption from the new</p> <p>15 480-07- --</p> <p>16 MS. CAMERON-RULKOWSKI: 160.</p> <p>17 MS. ROTH: Exemption from that so Staff can</p> <p>18 get the same time. Otherwise, it takes some time out of</p> <p>19 this process before Staff receive the NORS report.</p> <p>20 JUDGE KOPTA: We're having interference on</p> <p>21 the bridge line again. And one of the problems may be</p> <p>22 if someone is using a cordless phone. If you are using</p> <p>23 a cordless phone, would you please hang up and either</p> <p>24 use a landline or a cell phone, please? Thank you.</p> <p>25 CHAIRMAN DANNER: So I'm trying to figure</p>	<p style="text-align: right;">Page 71</p> <p>1 are they going to know that this is confidential? And</p> <p>2 what happens if they share this information?</p> <p>3 MS. ROTH: Well, the NORS report filed at</p> <p>4 FCC is designated by the federal government</p> <p>5 confidential. We have been receiving those in our --</p> <p>6 JUDGE KOPTA: Once again, we're having</p> <p>7 problems with the bridge line. If this continues, I'm</p> <p>8 not sure what we're going to be able to do except to</p> <p>9 have only the witnesses participate on the bridge line.</p> <p>10 So please, if you are using a cordless</p> <p>11 phone, hang up; otherwise, mute your phone so that</p> <p>12 hopefully we can get rid of that noise.</p> <p>13 CHAIRMAN DANNER: All right.</p> <p>14 So we have been doing that in the past. We</p> <p>15 have not had an issue of this being shared outside the</p> <p>16 building where it's not supposed to be shared if it's</p> <p>17 confidential?</p> <p>18 MS. ROTH: As far as I know, that's the</p> <p>19 case.</p> <p>20 CHAIRMAN DANNER: Okay.</p> <p>21 And even under the current system, which has</p> <p>22 been working, again, thinking about unlikely scenarios</p> <p>23 or worst-case scenarios, what is the Commission's</p> <p>24 liability or the Company's liability if the information</p> <p>25 is released?</p>
<p style="text-align: right;">Page 70</p> <p>1 out logistics of this. If it goes -- if the records</p> <p>2 center is to receive a document, are they going to know</p> <p>3 that this is confidential and treat it accordingly if</p> <p>4 it's not designated as such?</p> <p>5 MS. ANDERL: Your Honor, if I could maybe</p> <p>6 give this a try, because it was kind of a legal issue in</p> <p>7 terms of complying with the confidentiality rule. I</p> <p>8 think that that's addressed by virtue of the fact that</p> <p>9 it's actually not going to the records center, it's</p> <p>10 going to the email that is designated in 5.2.2.</p> <p>11 And we have separately agreed that we would,</p> <p>12 if public records requests ever came for a document of</p> <p>13 this nature, we could resubmit it with the appropriate</p> <p>14 confidentiality designation once the time sensitivity is</p> <p>15 gone, and we could also provide a redacted version, and</p> <p>16 so kind of retroactively comply with the rule.</p> <p>17 But Ms. Roth is correct that the mechanics</p> <p>18 of designating it as confidential would interfere with</p> <p>19 the automated submission and timing coincident with the</p> <p>20 submission to the FCC, and that's why we've asked for an</p> <p>21 exception to be made.</p> <p>22 CHAIRMAN DANNER: Okay.</p> <p>23 So even if it's not going to the records</p> <p>24 center, though, it comes into us, it gets handed back</p> <p>25 and forth with Staff. Does Staff have the knowledge --</p>	<p style="text-align: right;">Page 72</p> <p>1 MS. ROTH: Well, my counsel want to grab --</p> <p>2 CHAIRMAN DANNER: It might be a question for</p> <p>3 Counsel.</p> <p>4 MS. CAMERON-RULKOWSKI: So Chairman, this</p> <p>5 is -- this is always a possibility with confidential</p> <p>6 information, whether it's marked or not. I think that,</p> <p>7 in this case, the telecom staff is generally familiar</p> <p>8 with the NORS reports, and they know that they're</p> <p>9 confidential. And this is a risk that the Company, that</p> <p>10 CenturyLink is willing to take.</p> <p>11 MS. ANDERL: I was going to say -- thank</p> <p>12 you -- that's correct. We understand that we may not</p> <p>13 have the same claim of protection as if we were to</p> <p>14 follow the letter of the rule in terms of the</p> <p>15 designation, but, you know, in an effort to reach an</p> <p>16 agreement and cooperate and provide the information in a</p> <p>17 timely way, we would -- we want to see it done this way,</p> <p>18 and we're willing to take a chance that it is shared.</p> <p>19 Staff knows that it's confidential. NORS</p> <p>20 reports have been shared with Staff previously. There's</p> <p>21 nothing magical about the footer designation. If</p> <p>22 information is not going to be properly handled, it's</p> <p>23 not going to be properly handled whether there's a</p> <p>24 footer on it or not, I think. But we trust Staff and</p> <p>25 the Commission to preserve these appropriately.</p>

<p style="text-align: right;">Page 73</p> <p>1 I do think, as well, the sensitivity of the</p> <p>2 documents ages off. As they get older and the outage</p> <p>3 becomes further in the past, the degree of concern that</p> <p>4 we would have about it being released declines.</p> <p>5 COMMISSIONER RENDAHL: So your comfort level</p> <p>6 if -- so an outage occurs, the designated staff person</p> <p>7 will receive this NORS report at the same time as the</p> <p>8 Company files it with the FCC. Given that this</p> <p>9 settlement agreement is public, and if a member of the</p> <p>10 press wanted to receive a copy of the NORS report after</p> <p>11 it had been filed with the Commission, how would we</p> <p>12 protect that if it hasn't been properly designated as</p> <p>13 confidential? Do you think that the statute would</p> <p>14 protect that and allow the Commission to go through the</p> <p>15 process of requiring the ten-day review without having</p> <p>16 it been designated as confidential under the statute?</p> <p>17 MS. ANDERL: Yes, your Honor, because I</p> <p>18 think -- we're not asking you to ignore your rule here.</p> <p>19 We're asking for an exception -- an exemption from the</p> <p>20 confidentiality rule so that the material would still be</p> <p>21 considered confidential. I believe it's still going to</p> <p>22 say "Confidential" on it. It's just not going to have</p> <p>23 the citation to the WAC.</p> <p>24 COMMISSIONER RENDAHL: So it wouldn't have a</p> <p>25 footer, which is what the requirement is in the WAC, but</p>	<p style="text-align: right;">Page 75</p> <p>1 MS. ANDERL: Yeah, that's right. And when I</p> <p>2 said retroactively, that was probably a poor choice of</p> <p>3 words.</p> <p>4 CHAIRMAN DANNER: I think I said it first.</p> <p>5 MS. ANDERL: Well, then it was a great</p> <p>6 choice of words.</p> <p>7 JUDGE KOPTA: So the document would be</p> <p>8 marked as confidential, it just would not have the</p> <p>9 citation to the rule; is that correct?</p> <p>10 MS. ANDERL: That's my understanding, yes.</p> <p>11 JUDGE KOPTA: And is this -- would it be</p> <p>12 submitted to Commission staff simultaneously with its</p> <p>13 submission to the FCC?</p> <p>14 MS. ANDERL: Yes. That's what we're trying</p> <p>15 to achieve here, so that we can have our automated</p> <p>16 system file it with the FCC and file it with Staff at</p> <p>17 the same time without having to pass through my office</p> <p>18 to have the little blurb put on it.</p> <p>19 JUDGE KOPTA: Given that there's not as much</p> <p>20 of a time sensitivity to having a redacted copy, could</p> <p>21 you at least comply with that aspect of the rule and</p> <p>22 subsequently provide a redacted copy?</p> <p>23 MS. ANDERL: Sure. Yeah, I think we could.</p> <p>24 JUDGE KOPTA: We like to keep waivers of our</p> <p>25 rules limited to what is really necessary for the</p>
<p style="text-align: right;">Page 74</p> <p>1 it would still be designated as confidential by statute</p> <p>2 and, hence, we would still follow the process.</p> <p>3 CHAIRMAN DANNER: So this wouldn't be a case</p> <p>4 where we'd be retroactively designated as confidential</p> <p>5 after we receive a request from public records</p> <p>6 because --</p> <p>7 JUDGE KOPTA: Again, we're going -- we may</p> <p>8 have to mute the bridge line if we cannot resolve this.</p> <p>9 So please -- it stopped now, so whatever somebody did</p> <p>10 helped. Please continue to do that.</p> <p>11 MS. ANDERL: Your Honor, can you mute the</p> <p>12 bridge from right there?</p> <p>13 JUDGE KOPTA: We can.</p> <p>14 MS. ANDERL: Maybe everyone on could still</p> <p>15 hear, they just couldn't be heard here. So maybe we</p> <p>16 could unmute [sic] it if Mr. Balhoff or Ms. Ince get any</p> <p>17 questions. Maybe it's the bridge.</p> <p>18 (Brief pause in the proceedings.)</p> <p>19 CHAIRMAN DANNER: All right. Let's proceed</p> <p>20 at this point.</p> <p>21 So my question was, this is a different</p> <p>22 case -- this is not the same case, then, if we had a</p> <p>23 document that was not designated as confidential and</p> <p>24 then we get a public records request and then we, after</p> <p>25 the fact, designate it as confidential?</p>	<p style="text-align: right;">Page 76</p> <p>1 purposes that are identified. So I'm thinking that that</p> <p>2 is one that is not necessary to waive given the time</p> <p>3 sensitivity basis on what you're asking for the waiver.</p> <p>4 MS. ANDERL: Yeah. As long as the redacted</p> <p>5 version didn't have to be submitted simultaneously, we</p> <p>6 could comply with that within a couple of business days.</p> <p>7 JUDGE KOPTA: Okay.</p> <p>8 COMMISSIONER RENDAHL: And who is the</p> <p>9 regular designated staff person, or is that going to</p> <p>10 change over time?</p> <p>11 MS. ROTH: For now, we may have a name,</p> <p>12 Rebecca Beaton on Staff. The reason we left that, it</p> <p>13 could, you know, change to -- over time, it could be</p> <p>14 somebody else. We have a -- the Commission maintain a</p> <p>15 list of emergency contact staff. If you go down the</p> <p>16 list, Rebecca, then me, and then other staff. I have</p> <p>17 that list if the Bench needs it.</p> <p>18 COMMISSIONER RENDAHL: Okay. No, I just</p> <p>19 appreciate it.</p> <p>20 MS. ROTH: Okay.</p> <p>21 CHAIRMAN DANNER: Okay.</p> <p>22 And just, again, following up on the</p> <p>23 outages, you -- Mr. Reynolds, you heard Ms. Roth say</p> <p>24 that there have been some problems with outage reporting</p> <p>25 recently. How can we -- I mean, we have this provision</p>

<p style="text-align: right;">Page 77</p> <p>1 here, but how can we be comfortable that we're not going 2 to continue to have these problems? I mean, the fact 3 that we -- you know, we have these new provisions, are 4 they going to be followed? 5 MR. REYNOLDS: Yes. To the best of our 6 ability, we have a standard outage reporting system that 7 serves all of our jurisdictions. And I know that 8 there's been a very heightened sensitivity in the state 9 of Washington due to the statewide 911 outage and some 10 other major outages, and I think, thus, Staff's interest 11 in ensuring that they get immediate notification. 12 And to the extent that we discover something 13 that we can correct, we've sat down with Staff and 14 negotiated a different way to do things. For example, 15 we had an outage about a year and a half ago that 16 originated in The Dalles, Oregon, but also served out of 17 that switch were PSAPs in the state of Washington. And 18 we timely issued an outage report to the state of 19 Oregon, and the state of Washington did not receive one. 20 When we sat down with Staff and we went 21 through, you know, the process that the Company went 22 through, we found a way that, for any Oregon switch 23 outage that affects Washington PSAPs, they will now get 24 a major outage report in the timeframe that's been 25 agreed upon.</p>	<p style="text-align: right;">Page 79</p> <p>1 customer, per line, so it add up [sic]. 2 JUDGE KOPTA: So you would consider the lack 3 of a notification in this settlement agreement to apply 4 to each customer or each PSAP that's affected? 5 MS. ROTH: Each PSAP, Commission, 911 6 office, yes. 7 JUDGE KOPTA: Is that how the Company 8 interprets the agreement? 9 MR. REYNOLDS: To tell you the truth, I 10 hadn't really thought about it. Staff and the Company 11 have gone back and forth about how the penalty 12 assessment has been applied, but we've always found a 13 way to either settle or essentially pay the penalty 14 that's been assessed. 15 I would add that the Company has not really 16 had a problem notifying PSAPs in recent history. And 17 what this is set out to do is to ensure that the 18 Commission is on the same footing as the PSAPs and the 19 FCC. 20 And there's an additional layer of 21 protection built in there because the NORS reports go 22 out automatically, and they're part of the requirement 23 that came about as a result of the big 911 outage. And 24 so, you know, that's an additional notification 25 protection in addition to our requirement to personally</p>
<p style="text-align: right;">Page 78</p> <p>1 So it's an evolving thing, but I think that, 2 with this particular provision, and with some of the 3 other steps we've taken to tighten up our outage 4 reporting, I think we're definitely on the right track. 5 We may discover something new, and if we do, we'll 6 correct it. 7 CHAIRMAN DANNER: Okay. 8 And again, Mr. Dahl, that's -- you're 9 comfortable that this provision will be adhered to? 10 MR. DAHL: Yeah. We agreed to the 11 settlement as it stands, and understand that having the 12 Commission aware of these major outages is in the public 13 interest. 14 CHAIRMAN DANNER: All right. Thank you. 15 JUDGE KOPTA: Follow-up? 16 CHAIRMAN DANNER: Yes. 17 JUDGE KOPTA: So in the event that there's a 18 problem, the 30-minute time limit, if it's -- if the 19 Company doesn't meet it, if this is just a violation of 20 a Commission order, then the maximum penalty is a 21 thousand dollars. 22 Is that enough of an incentive for the 23 Company to comply with this aspect of the settlement 24 agreement in Staff's view? I'll ask you first. 25 MS. ROTH: Yes. It's per occurrence, per</p>	<p style="text-align: right;">Page 80</p> <p>1 contact Staff. 2 So you know, we intend to comply. To the 3 extent we don't, then it's at our peril. 4 JUDGE KOPTA: So just from a legal 5 perspective, Ms. Cameron-Rulkowski, if the Company were 6 not to notify Commission staff within 30 minutes, would 7 you consider that a violation not just of the settlement 8 agreement but also of the rule that requires 9 notification to the Commission in the event of an 10 outage? 11 MS. CAMERON-RULKOWSKI: Your Honor, I think 12 that would depend. It would definitely be a violation 13 of the settlement agreement, and then it's -- they're 14 always context-based. So I think it would depend if -- 15 you know, did the Commission get notification in 16 40 minutes and that was a violation of the settlement 17 agreement, or did everyone else hear about it and the 18 Commission didn't hear about it until the next day? And 19 that probably wouldn't meet the rule and that would 20 probably be a violation under -- under the major outage 21 reporting rule. 22 JUDGE KOPTA: Okay. 23 I'm just sort of keying off of Ms. Roth's 24 testimony that the 30 minutes in the settlement 25 agreement is to give some time parameter to the "as soon</p>

<p style="text-align: right;">Page 81</p> <p>1 as possible" language in the rule.</p> <p>2 Is that how, from a legal perspective, you</p> <p>3 are viewing this aspect of the settlement agreement?</p> <p>4 MS. CAMERON-RULKOWSKI: So I would view that</p> <p>5 as the time obligation for the Company to notify the</p> <p>6 Commission. Does that answer your question? There are</p> <p>7 other notification requirements in the major outage</p> <p>8 rule.</p> <p>9 JUDGE KOPTA: Well, and that, again, sort of</p> <p>10 leads me back to the question I had before. If this is</p> <p>11 only notification to the Commission, then it's not</p> <p>12 notification to anyone else, and so the maximum penalty</p> <p>13 would be \$1,000.</p> <p>14 MS. CAMERON-RULKOWSKI: I think possibly --</p> <p>15 I would disagree with Ms. Roth here, and I think that</p> <p>16 probably is the case, that under this particular</p> <p>17 settlement agreement, and any order approving it, that</p> <p>18 it would just apply to notification of the Commission.</p> <p>19 JUDGE KOPTA: So Ms. Roth, if that is</p> <p>20 correct, is \$1,000 enough of an incentive for the</p> <p>21 Company to comply with this aspect of the settlement</p> <p>22 agreement?</p> <p>23 MS. ROTH: I think I'll agree with my</p> <p>24 counsel. You know, \$1,000, I want to say it's, you</p> <p>25 know, just notify the Commission, but sometimes the</p>	<p style="text-align: right;">Page 83</p> <p>1 potential penalty is enough to ensure that the Company</p> <p>2 will provide the 30-minute notification that's required</p> <p>3 under the settlement agreement.</p> <p>4 MS. ROTH: That's the intention that we're</p> <p>5 doing is notify the Commission. If they fail, we would</p> <p>6 say the violation of Commission order, but -- yeah, if</p> <p>7 that's what the settlement says. My mind goes through</p> <p>8 our rules of we can assess different type of penalties</p> <p>9 and per occurrence, per line, per customer.</p> <p>10 But in addition to a major outage, there's</p> <p>11 other ways, like, within two days they must give us a</p> <p>12 report of whether an outage or not, complete and so</p> <p>13 forth [sic], and we can -- you know, there's other</p> <p>14 provisions in the rule.</p> <p>15 This -- another thing is -- I want to add to</p> <p>16 that is that CenturyLink does providing [sic] the NORS</p> <p>17 report within 30 minutes at the FCC, so that's where our</p> <p>18 30 minutes come from, so there's a base [sic] for it.</p> <p>19 And I do not know what FCC does if they</p> <p>20 don't get a NORS report within 30 minutes of major</p> <p>21 outage. We could look into that. But that's our basis</p> <p>22 with the 30 minutes, and we didn't think about the</p> <p>23 penalty, thinking that the Company will do it.</p> <p>24 JUDGE KOPTA: We're looking at</p> <p>25 eventualities.</p>
<p style="text-align: right;">Page 82</p> <p>1 outages have -- you know, we say major outages, and the</p> <p>2 definition of major outages have multiple services and</p> <p>3 just not 911. It could be trunk. It can be switch. So</p> <p>4 yes, the major outage, the typical standard is 1,000</p> <p>5 customer [sic] over 30 minutes in duration, basically.</p> <p>6 That is the basic definition.</p> <p>7 So yeah, this provision is written, if they</p> <p>8 don't notify the Staff for 30 minutes, the Commission,</p> <p>9 they will be violating Commission rule. But it is a</p> <p>10 Commission order. But in our rule, it says they must</p> <p>11 notify as soon as possible all the PSAPs, the Commission</p> <p>12 and everywhere else. I can't recall the rule, but I can</p> <p>13 pull it up if you're interested.</p> <p>14 JUDGE KOPTA: No, I'm -- at this point I'm</p> <p>15 focused on the settlement agreement.</p> <p>16 MS. ROTH: The settlement, right.</p> <p>17 JUDGE KOPTA: And if the Commission is going</p> <p>18 to adopt these provisions, then we would want to make</p> <p>19 sure that everything -- it would have an effective way</p> <p>20 of enforcing, and that's where my questions are coming</p> <p>21 to.</p> <p>22 And that's why I'm asking you, focused</p> <p>23 solely on the settlement agreement --</p> <p>24 MS. ROTH: Okay.</p> <p>25 JUDGE KOPTA: -- whether that level of</p>	<p style="text-align: right;">Page 84</p> <p>1 Mr. Dahl, is this Public Counsel's view as</p> <p>2 well, that this is sufficient?</p> <p>3 MR. DAHL: We support the settlement as it</p> <p>4 is, and I guess I don't have enough familiarity with the</p> <p>5 penalties and enforcement to speak up.</p> <p>6 JUDGE KOPTA: Mr. Reynolds, is it your</p> <p>7 understanding that this is an automated process where</p> <p>8 Commission staff would receive the report the same time</p> <p>9 as the FCC?</p> <p>10 MR. REYNOLDS: That's my understanding. And</p> <p>11 I guess I'd just like to add, to put it in perspective,</p> <p>12 and with something that counsel for Staff said, is that</p> <p>13 if we have violations in accordance with the rule and we</p> <p>14 do not timely notify a PSAP and other emergency</p> <p>15 management people, that's covered under the rule, and</p> <p>16 the penalties there are stiff.</p> <p>17 And so the public safety protection is</p> <p>18 already in place. What we're trying to correct here is</p> <p>19 notifying the Commission, because we understand Staff</p> <p>20 and the commissioners get calls almost immediately after</p> <p>21 a major outage occurs, but the public safety is</p> <p>22 protected also by a whole other layer of protections in</p> <p>23 the rule.</p> <p>24 So I'd just put it into perspective. And</p> <p>25 your question about, is \$1,000 enough? It is for us. I</p>

<p style="text-align: right;">Page 85</p> <p>1 mean, we want to fix this. We don't want, you know, to</p> <p>2 have this be Groundhog's Day every time we have a major</p> <p>3 outage. So we are working hard internally to</p> <p>4 essentially accommodate this type of provision and make</p> <p>5 sure the Commission understands what's going on when</p> <p>6 it's happening.</p> <p>7 JUDGE KOPTA: All right.</p> <p>8 I don't want to belabor the point. It's</p> <p>9 just that this issue has been one that's been lingering</p> <p>10 in other dockets over time, and so we are sensitive to</p> <p>11 it.</p> <p>12 MR. REYNOLDS: And so am I.</p> <p>13 MS. ANDERL: And your Honor, your</p> <p>14 question -- I just wanted to clarify -- the 5.2.1 and</p> <p>15 5.2.2 are two separate things. And the NORS report is</p> <p>16 an analysis of the outage, a description of what</p> <p>17 happened, and it gets submitted to the FCC.</p> <p>18 The phone call to Staff is going to be</p> <p>19 something separate that is going to happen when we</p> <p>20 think -- within 30 minutes after we think we've made a</p> <p>21 determination that a major outage is occurring.</p> <p>22 And so they're not the same thing, and maybe</p> <p>23 you didn't intend to mix them up in your question, or</p> <p>24 maybe I just misheard it, but I did want to make sure</p> <p>25 that we understood that these were two separate things.</p>	<p style="text-align: right;">Page 87</p> <p>1 in the transition.</p> <p>2 COMMISSIONER RENDAHL: So do you have</p> <p>3 concerns right now about the transition?</p> <p>4 MR. DAHL: We believe that the terms that we</p> <p>5 have included in the settlement will help address any</p> <p>6 concerns moving forward.</p> <p>7 COMMISSIONER RENDAHL: So have you read the</p> <p>8 Amendment M to the contract?</p> <p>9 MR. DAHL: I have not.</p> <p>10 COMMISSIONER RENDAHL: Okay.</p> <p>11 So Mr. Reynolds, can you give us an update</p> <p>12 of what's going on with this contract?</p> <p>13 MR. REYNOLDS: Yes. It's my understanding</p> <p>14 that, I believe, along about the end of this month,</p> <p>15 May 31st through early June, all the parties will meet</p> <p>16 to sit down and finalize an Amendment M, which</p> <p>17 essentially will be a scope of work, a transition plan</p> <p>18 and a timeline, and that that really has -- is what has</p> <p>19 been lacking in this whole process. We feel somewhat</p> <p>20 hamstrung not being able to move forward with the</p> <p>21 transition because we don't have the road map to</p> <p>22 complete it, and so I think things are moving ahead.</p> <p>23 We successfully, you know, negotiated</p> <p>24 meetings to sit down and explain our side of the story,</p> <p>25 and the State has had an opportunity to discuss what</p>
<p style="text-align: right;">Page 86</p> <p>1 One's an email of the document and the other one is a</p> <p>2 phone call.</p> <p>3 JUDGE KOPTA: I appreciate the</p> <p>4 clarification, because I was unclear, based on the</p> <p>5 testimony, as to what was, in fact, provided within that</p> <p>6 30 minutes, and whether it was the NORS report or</p> <p>7 whether it was something different. So I think that's</p> <p>8 helpful to have that clarification.</p> <p>9 COMMISSIONER RENDAHL: So turning to another</p> <p>10 topic, and that's Section 5.6 of the settlement</p> <p>11 agreement, so the parties have agreed that -- or</p> <p>12 CenturyLink's agreed to provide a dedicated project</p> <p>13 manager to work on the 911 transition with the military</p> <p>14 department and the successor vendor, and agrees to</p> <p>15 continue with good faith negotiations.</p> <p>16 Mr. Dahl, this is clearly something in your</p> <p>17 testimony that you highlighted was important to Public</p> <p>18 Counsel. And are there concerns that you have about the</p> <p>19 progress of this transition that prompted you to make</p> <p>20 sure this is in the agreement?</p> <p>21 MR. DAHL: You know, we brought this issue</p> <p>22 forward because we know the public is aware of this as</p> <p>23 an issue, and it's in the public interest to bring money</p> <p>24 to it, and included it in this settlement in order to</p> <p>25 ensure that the Company continues to work in good faith</p>	<p style="text-align: right;">Page 88</p> <p>1 they want, and now that there's an actual meeting set up</p> <p>2 to essentially give us what we need to help -- to help</p> <p>3 complete the transition. You know, I think we're</p> <p>4 satisfied that things are moving forward at a decent</p> <p>5 pace, so --</p> <p>6 COMMISSIONER RENDAHL: So is there a hard</p> <p>7 stop under your contract right now as to when</p> <p>8 CenturyLink ceases service, or is it when the other --</p> <p>9 the successor is up and running?</p> <p>10 MR. REYNOLDS: I believe we negotiated a</p> <p>11 continuation to support the system. The last thing in</p> <p>12 the world we would do is pull the plug on public safety,</p> <p>13 so that's not going to happen. There may be some back</p> <p>14 and forth discussions that we need to negotiate</p> <p>15 continuation of providing services, but even if there</p> <p>16 was a hard stop, we wouldn't honor it, you know. We're</p> <p>17 not going to leave the public high and dry.</p> <p>18 COMMISSIONER RENDAHL: Thank you.</p> <p>19 COMMISSIONER BALASBAS: So Mr. Reynolds,</p> <p>20 just following up on that, the meetings that you</p> <p>21 referenced for next week, do you expect to come out of</p> <p>22 these meetings with a finalized and signed Amendment M?</p> <p>23 MR. REYNOLDS: We are very hopeful that we</p> <p>24 will.</p> <p>25 COMMISSIONER BALASBAS: And if not, do you</p>

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<p>1 have a timeline in mind when you would like to have 2 Amendment M finalized?</p> <p>3 MR. REYNOLDS: We would have liked to have 4 had it finalized last year, but to the extent that we're 5 making progress now, we're very hopeful that we can 6 close this thing out at the end of the month.</p> <p>7 CHAIRMAN DANNER: Okay.</p> <p>8 So it sounds from your testimony that we 9 don't need to be concerned up here that 911 services at 10 any point will cease prior to a handoff?</p> <p>11 MR. REYNOLDS: That's correct.</p> <p>12 CHAIRMAN DANNER: Okay.</p> <p>13 And we can be confident that, when there is 14 a handoff, that services will continue to be provided.</p> <p>15 MR. REYNOLDS: And that's really, I think, 16 what's taken a long time in the planning. The new 17 vendor has a different system and different model, and 18 it requires working out exactly how that handoff takes 19 place in a flawless and seamless manner, such that the 20 public is not impacted.</p> <p>21 And even though I know that the State's been 22 frustrated, we've been frustrated, the last thing either 23 one of us want to do is endanger the public.</p> <p>24 COMMISSIONER RENDAHL: So is any member of 25 the UTC staff involved in overseeing any of this</p>	<p>1 MS. ANDERL: I do not. I can't imagine that 2 I would object to it. I wouldn't mind seeing it before 3 it was filed, but if counsel for Staff wants to file it 4 in this docket, I would not object.</p> <p>5 MR. TRINCHERO: No objection.</p> <p>6 COMMISSIONER RENDAHL: Is that a formal AG's 7 opinion or is it a letter opinion, do you know?</p> <p>8 MS. ROTH: I believe -- I'm looking at Mark 9 Vasconi. I believe it's sendd [sic] to the successors 10 by Steve King's signature.</p> <p>11 COMMISSIONER RENDAHL: So it's a Commission 12 letter, not a --</p> <p>13 MS. ROTH: Not an AG opinion. But it is 14 based on an AG opinion, I believe.</p> <p>15 COMMISSIONER RENDAHL: All right.</p> <p>16 Well, I think --</p> <p>17 CHAIRMAN DANNER: Well, that means somewhere 18 there's an AG opinion.</p> <p>19 MS. CAMERON-RULKOWSKI: Based on AG advice, 20 internal and formal AG advice.</p> <p>21 CHAIRMAN DANNER: Okay.</p> <p>22 Maybe we should gather the documents and 23 share them with the parties and go from there.</p> <p>24 COMMISSIONER RENDAHL: I think it would be 25 useful to have that letter in the record, if the parties</p>
Page 90	Page 92
<p>1 process?</p> <p>2 MR. REYNOLDS: Not to my knowledge.</p> <p>3 COMMISSIONER RENDAHL: Okay.</p> <p>4 Ms. Roth, I know we have representatives --</p> <p>5 MS. ROTH: Yes, but we're not involved in -- 6 we're not at the table.</p> <p>7 COMMISSIONER RENDAHL: Okay. Thank you.</p> <p>8 CHAIRMAN DANNER: And also just when -- when 9 the successor is in place and operating the 911 system, 10 our jurisdiction, does it cease or does it continue 11 after that time?</p> <p>12 MS. ROTH: We have a letter from AG's 13 opinion [sic] that's issued to the new successor. We do 14 have oversight on this new successor, correct, Counsel?</p> <p>15 MS. CAMERON-RULKOWSKI: I believe that's 16 correct.</p> <p>17 COMMISSIONER RENDAHL: Is that something we 18 could have in the record?</p> <p>19 MS. CAMERON-RULKOWSKI: Certainly. We could 20 provide that pursuant to a bench request or however you 21 would like to have it come in.</p> <p>22 CHAIRMAN DANNER: Okay.</p> <p>23 Would there be any objections from anybody 24 if that were -- you don't know what letter we're talking 25 about?</p>	<p>1 don't object, but they don't seem to object, at least, 2 to have something in the record.</p> <p>3 MS. ROTH: That letter is addressed to the 4 newcomer, it's not a party to this case, so the 5 successor. So just so you know, the letter is intended 6 for -- so, like, the new 911 provider knows the 7 Commission have jurisdiction authority, they must follow 8 our rule as well.</p> <p>9 COMMISSIONER RENDAHL: No, I understand 10 that, but I think it's relevant to the topic in this 11 settlement.</p> <p>12 MS. ROTH: Yeah, I just wanted to clarify 13 that.</p> <p>14 JUDGE KOPTA: So is there a separate 15 document coming from the AG's office to the Commission 16 with the legal advice?</p> <p>17 MS. CAMERON-RULKOWSKI: So I think what we 18 would -- what we would file in this docket would be that 19 letter from Steve King addressed to the new provider.</p> <p>20 JUDGE KOPTA: All right. We'll that make 21 that Bench Request No. 1.</p> <p>22 And while we're on that, section 5.6, again, 23 my concern is enforcement. How will the Commission 24 determine whether CenturyLink is providing sufficient 25 support personnel to complete tasks assigned by the</p>

<p style="text-align: right;">Page 93</p> <p>1 Washington military department to CenturyLink?</p> <p>2 Mr. Reynolds?</p> <p>3 MR. REYNOLDS: I believe that the response</p> <p>4 that CenturyLink filed last night speaks to the effort</p> <p>5 that we're putting in to ensure that that transition</p> <p>6 goes smoothly and that at no time customers are in</p> <p>7 peril.</p> <p>8 If the Commission -- it is a private</p> <p>9 contract negotiation, and I'm uncertain as to what</p> <p>10 authority the Commission has over that with its</p> <p>11 overriding authority. I guess I would defer to my</p> <p>12 counsel.</p> <p>13 JUDGE KOPTA: Well, again, the concern that</p> <p>14 I have is that, if this is going to be a provision in</p> <p>15 the settlement agreement, we need to find some way to be</p> <p>16 able to enforce it, so I'm questioning how we can do</p> <p>17 that.</p> <p>18 CHAIRMAN DANNER: So I guess my question to</p> <p>19 you is, it would appear that we would have some</p> <p>20 enforcement under this settlement if we were to</p> <p>21 determine that you were not continuing good faith</p> <p>22 negotiations. At the same time, we are comforted by the</p> <p>23 fact that 911 services will continue until there</p> <p>24 actually is an agreement reached and a succession -- a</p> <p>25 successor operating the 911 system.</p>	<p style="text-align: right;">Page 95</p> <p>1 go fast, that the public is not endangered by lack of a</p> <p>2 911 system.</p> <p>3 MR. REYNOLDS: And I think you have our</p> <p>4 commitment that won't happen.</p> <p>5 MS. ANDERL: Yes. I think, your Honor, we</p> <p>6 represented in the letter that we filed yesterday that</p> <p>7 we have already extended the 911 contract with the State</p> <p>8 of Washington once, maybe twice, at the same rates as we</p> <p>9 had originally been providing service.</p> <p>10 It is in our interest to see that this</p> <p>11 transition goes both smoothly and as quickly as</p> <p>12 possible, because we are no longer going to be the</p> <p>13 vendor, and we would like to hand that off as soon as we</p> <p>14 can, honestly, and not have a prolonged process.</p> <p>15 But for as long as the process takes, under</p> <p>16 the terms and conditions that we intend to negotiate in</p> <p>17 Amendment M, that doesn't exist yet but is in draft</p> <p>18 form, we will make sure that we do what we can on our</p> <p>19 side to ensure a smooth transition. And we will not</p> <p>20 cease providing 911 services until the successor vendor</p> <p>21 tells us they're ready.</p> <p>22 JUDGE KOPTA: And how will we know how</p> <p>23 that's going, the relationship with the military</p> <p>24 department?</p> <p>25 MS. ANDERL: Well, if it is -- again, you</p>
<p style="text-align: right;">Page 94</p> <p>1 So in your view, would that be sufficient?</p> <p>2 MR. REYNOLDS: Well, it would certainly be</p> <p>3 sufficient to protect the public safety. And I don't</p> <p>4 think the public safety at any time up to this point or</p> <p>5 in the future is going to be in peril. These parties</p> <p>6 will get this right or they won't go forward. And I've</p> <p>7 got a feeling that everything is going to be worked out</p> <p>8 ultimately.</p> <p>9 To the other part of your question of</p> <p>10 exactly how do you enforce this particular provision,</p> <p>11 because this is a provision that I understand offers our</p> <p>12 good faith effort to continue this process, to continue</p> <p>13 to work, I think we provided some information to you.</p> <p>14 And you know, I'll leave it to counsel as to what more</p> <p>15 assurances we could provide if the Commission somehow</p> <p>16 deems that we're not negotiating in good faith.</p> <p>17 CHAIRMAN DANNER: Well, personally, my</p> <p>18 concern is that we don't have a cessation of 911</p> <p>19 services, and that's the primary concern. However, if</p> <p>20 this takes, you know, longer or shorter, I guess, you</p> <p>21 know, you've made a commitment to continue in good faith</p> <p>22 negotiations, but we're not at the table, so I'm not</p> <p>23 sure how we enforce that.</p> <p>24 So my concern, then, is really just making</p> <p>25 sure that, whether these talks go slow or whether they</p>	<p style="text-align: right;">Page 96</p> <p>1 know, if we have a dispute with the military department,</p> <p>2 that is a private contract arrangement and there are</p> <p>3 remedies in that contract that the military can pursue</p> <p>4 on their own.</p> <p>5 Should the Commission wish to have an active</p> <p>6 role, I would guess that either Staff or Public Counsel</p> <p>7 could, through their contacts at Military, keep track of</p> <p>8 what's going on. And should they have a concern, they</p> <p>9 could raise that to the Commission.</p> <p>10 JUDGE KOPTA: Well, part of my question</p> <p>11 comes from the fact that the parties are proposing to</p> <p>12 put the Commission in the middle of that discussion</p> <p>13 through paragraph 5.6.</p> <p>14 Are we supposed to evaluate the sufficiency</p> <p>15 of the support that CenturyLink provides, and whether</p> <p>16 there are good faith negotiations, and whether you've</p> <p>17 provided adequate notification to the military</p> <p>18 department?</p> <p>19 MS. ANDERL: I think if there were -- I</p> <p>20 don't think you are obligated to do that sua sponte. I</p> <p>21 think that if someone were to bring a complaint for</p> <p>22 enforcement of paragraph 5.6, then you would be involved</p> <p>23 in that way.</p> <p>24 JUDGE KOPTA: And --</p> <p>25 COMMISSIONER RENDAHL: So Mr. Dahl, maybe</p>

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<p>1 you can explain what your thoughts are in terms of how</p> <p>2 the Commission would be -- how -- what is Public</p> <p>3 Counsel's plan in terms of monitoring the compliance</p> <p>4 with this provision of the settlement, and how do you</p> <p>5 suggest the Commission do so?</p> <p>6 MR. DAHL: I understand it the way that</p> <p>7 Ms. Anderl suggested, that if there are issues, there</p> <p>8 are mechanisms to bring a complaint forward. And that</p> <p>9 the terms of the settlement are narrow enough that, if</p> <p>10 there are any issues outside the terms of the settlement</p> <p>11 itself as it stands, there are other remedies outside</p> <p>12 that could be --</p> <p>13 COMMISSIONER RENDAHL: So is Public Counsel</p> <p>14 planning to, along with Staff -- and maybe, Ms. Roth,</p> <p>15 you have a perspective on this -- to monitor this, and</p> <p>16 how do you plan to monitor the status of the contract?</p> <p>17 MR. DAHL: I'm not sure.</p> <p>18 JUDGE KOPTA: Okay.</p> <p>19 Ms. Roth?</p> <p>20 MS. ROTH: At this juncture, the Staff do</p> <p>21 not have a plan to monitor the progress of this</p> <p>22 negotiation. For the 22 years I've been at the</p> <p>23 Commission, this type of contract have never been [sic]</p> <p>24 filed for our approval. We never monitor it, it never</p> <p>25 had an issue, it never get to the level that we're aware</p>	<p>1 contract and then there's Amendment M where Staff is</p> <p>2 not -- Staff didn't review that contract.</p> <p>3 CHAIRMAN DANNER: Okay.</p> <p>4 So you -- all right.</p> <p>5 MS. ROTH: Well --</p> <p>6 CHAIRMAN DANNER: Thank you.</p> <p>7 JUDGE KOPTA: You've referenced the letter</p> <p>8 that you filed with the Commission in response to the</p> <p>9 military department's comments. That is not part of the</p> <p>10 evidentiary record in this case. Do you want the</p> <p>11 Commission to rely on any portion of that letter?</p> <p>12 MS. ANDERL: Well, your Honor, I was</p> <p>13 assuming that at some point we would talk about what</p> <p>14 evidentiary status the letter from the military</p> <p>15 department might have. And I think my answer to your</p> <p>16 question depends on how the Commission intends to treat</p> <p>17 the military department's letter.</p> <p>18 JUDGE KOPTA: Well, I'm referring to the</p> <p>19 discussion that we just had in which you were</p> <p>20 referencing certain commitments that the Company was</p> <p>21 making in terms of its dealings with the military</p> <p>22 department. And if you simply referenced the letter,</p> <p>23 then we don't have anything other than what we discussed</p> <p>24 in this hearing today. So that's why I'm asking if</p> <p>25 you're asking us to rely on any portion of that letter.</p>
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<p>1 of today. Of course, we'll do whatever the Commission</p> <p>2 tell us to do in their order [sic].</p> <p>3 CHAIRMAN DANNER: So Ms. Roth and Mr. Dahl,</p> <p>4 a question for you, in your view, is there any incentive</p> <p>5 for CenturyLink not to proceed as expeditiously as</p> <p>6 possible in getting these contracts developed and</p> <p>7 implemented and a successive plan in place?</p> <p>8 MR. DAHL: I mean, I think, as Mr. Reynolds</p> <p>9 indicated, it's, you know, in the interest of the public</p> <p>10 and the Company and everyone involved to move forward as</p> <p>11 fast as possible since the -- you know, the public</p> <p>12 relies on its service.</p> <p>13 CHAIRMAN DANNER: Well, we've got a</p> <p>14 commitment that the service won't be -- won't be</p> <p>15 affected, that 911 service will continue, so public</p> <p>16 safety is not the issue here. It's just that we have a</p> <p>17 provision here that CenturyLink will continue its good</p> <p>18 faith negotiation for a reasonable transition.</p> <p>19 My question to you is, do you see any</p> <p>20 incentive that CenturyLink has not to do just what it's</p> <p>21 saying in this contract, or in this paragraph 5.6?</p> <p>22 MR. DAHL: No.</p> <p>23 MS. ROTH: I do not know. I have not --</p> <p>24 Staff has not investigated this issue, and we're not</p> <p>25 familiar with the original contract. There's the</p>	<p>1 MS. ANDERL: I think I only referenced the</p> <p>2 letter to say that we said in the letter, and I now said</p> <p>3 in this -- in the proceeding that we had already</p> <p>4 extended the contract for 911 service on the same terms</p> <p>5 and conditions and the same rates with Military at least</p> <p>6 one time already, just as a way to tell you that we</p> <p>7 could have already said the contract's up, but we're not</p> <p>8 going to do that. So I don't think you need to rely on</p> <p>9 the letter for that.</p> <p>10 JUDGE KOPTA: Okay.</p> <p>11 And while we're talking about evidentiary</p> <p>12 issues, the settlement agreement does refer to Amendment</p> <p>13 M. Would the Company have any objection to providing</p> <p>14 that to the Commission once it has been executed?</p> <p>15 MS. ANDERL: We do not object to doing that.</p> <p>16 We will do that as a compliance filing.</p> <p>17 JUDGE KOPTA: All right.</p> <p>18 I think that would be helpful since it is</p> <p>19 referenced in the September agreement so that we know</p> <p>20 exactly what it is that we are looking at in terms of</p> <p>21 the terms of the settlement.</p> <p>22 MS. ANDERL: Yes. I think typically these</p> <p>23 contracts being with public entities are public record.</p> <p>24 I don't think there are going to be any terms that are</p> <p>25 confidential. There may be -- the pricing may be</p>

<p style="text-align: right;">Page 101</p> <p>1 confidential, but I don't even think that is, so -- but</p> <p>2 we'll treat it appropriately and we'll file it, and if</p> <p>3 there needs to be redactions, we'll do that.</p> <p>4 JUDGE KOPTA: All right.</p> <p>5 But given that it is not yet in existence,</p> <p>6 we won't make it a bench request, but we will take</p> <p>7 administrative notice after you've filed it.</p> <p>8 MS. ANDERL: Thank you, your Honor.</p> <p>9 CHAIRMAN DANNER: One more question.</p> <p>10 Regarding paragraph 5.5, Customer Notice of</p> <p>11 Merger, basically CenturyLink will issue a press</p> <p>12 release, which, of course, with the state of journalism</p> <p>13 today, may or may not be covered in the media.</p> <p>14 But regardless, the question I have is, how</p> <p>15 does any of this affect the residential or business</p> <p>16 consumer? Are they going to see any change in their</p> <p>17 service? Are they -- without seeing the press release,</p> <p>18 are they even going to know that this has happened?</p> <p>19 MR. REYNOLDS: No.</p> <p>20 CHAIRMAN DANNER: Okay.</p> <p>21 And so as far as they're concerned, the</p> <p>22 phone -- they can still pick up the phone and get a dial</p> <p>23 tone, and they have access to 911, and so if, in fact,</p> <p>24 the News Tribune does not report that this merger has</p> <p>25 taken place, then from the point of view of the</p>	<p style="text-align: right;">Page 103</p> <p>1 Is the Company willing to commit to</p> <p>2 notifying the Commission if that provision is triggered</p> <p>3 and a transfer is likely?</p> <p>4 MR. REYNOLDS: It's my understanding, and</p> <p>5 I'll let my counsel correct me if I'm wrong here, but</p> <p>6 it's -- my understanding is we really have no choice,</p> <p>7 that this Commission still retains authority over a</p> <p>8 change in control. And so to the extent we got to that</p> <p>9 point, this Commission would have authority over that</p> <p>10 proceeding.</p> <p>11 JUDGE KOPTA: And you would notify us of</p> <p>12 that event happening?</p> <p>13 MR. REYNOLDS: Yes.</p> <p>14 MS. ANDERL: Yes.</p> <p>15 JUDGE KOPTA: All right. Thank you.</p> <p>16 I believe that concludes our questioning,</p> <p>17 and unless there's anything further, we will take the</p> <p>18 matter under advisement and enter an order in due</p> <p>19 course.</p> <p>20 Is there anything else that we need to</p> <p>21 discuss on the record while we are here today?</p> <p>22 Then we are adjourned. Thank you.</p> <p>23 MS. CAMERON-RULKOWSKI: Thank you.</p> <p>24 (Hearing concluded at 11:00 a.m.)</p> <p>25 -o0o-</p>
<p style="text-align: right;">Page 102</p> <p>1 consumer, life just goes on?</p> <p>2 MR. REYNOLDS: That's correct. And the way</p> <p>3 that this acquisition is being put together, similar to</p> <p>4 the way that the Century and Qwest merger was put</p> <p>5 together, the operating companies will continue. And at</p> <p>6 such time as there may or may not be a name change, we</p> <p>7 would certainly notify our customers.</p> <p>8 But to our customers, both our enterprise</p> <p>9 customers that have contracts with Level 3 and with us,</p> <p>10 the billing will remain the same, at least.</p> <p>11 CHAIRMAN DANNER: In other words, a Level 3</p> <p>12 customer gets a bill from Level 3, a CenturyLink</p> <p>13 customer gets a --</p> <p>14 MR. REYNOLDS: Yes, exactly. The contracts</p> <p>15 are not altered, our regulatory obligations are not</p> <p>16 altered, and it will be relatively transparent to the</p> <p>17 public.</p> <p>18 CHAIRMAN DANNER: Okay. I think that's all</p> <p>19 I have.</p> <p>20 JUDGE KOPTA: Okay. I have one more</p> <p>21 follow-up.</p> <p>22 There was a discussion earlier, I believe,</p> <p>23 with Commissioner Balasbas and Mr. Balhoff about the</p> <p>24 remote possibility that Qwest stock would somehow need</p> <p>25 to change hands as a result of any default.</p>	<p style="text-align: right;">Page 104</p> <p>1 C E R T I F I C A T E</p> <p>2</p> <p>3 STATE OF WASHINGTON)</p> <p>4) ss.) COUNTY OF KING)</p> <p>5</p> <p>6</p> <p>7 I, ANITA W. SELF, a Certified Shorthand Reporter</p> <p>8 in and for the State of Washington, do hereby certify</p> <p>9 that the foregoing transcript is true and accurate to</p> <p>10 the best of my knowledge, skill and ability.</p> <p>11 IN WITNESS WHEREOF, I have hereunto set my hand</p> <p>12 and seal this 9th day of June, 2017.</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17 ANITA W. SELF, RPR, CCR #3032</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>