

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Joint Application of Northwest Fiber, LLC, Frontier Communications Corporation and Frontier Communications ILEC Holdings LLC for an Order Declining to Assert Jurisdiction Over, or, in the Alternative, Approving the Transfer of Control of Frontier Communications Northwest Inc. to Northwest Fiber, LLC.

Docket No. UT-190574

TESTIMONY IN SUPPORT OF SETTLEMENT AMONG

**NORTHWEST FIBER, LLC,
FRONTIER COMMUNICATIONS CORPORATION,
FRONTIER COMMUNICATIONS ILEC HOLDINGS, LLC,
AND
THE UNITED STATES DEPARTMENT OF DEFENSE
AND ALL OTHER FEDERAL EXECUTIVE AGENCIES**

**BY THE
PARTIES TO THE SETTLEMENT**

December 19, 2019

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

2 A. This testimony is jointly sponsored by Northwest Fiber, LLC (“Northwest
3 Fiber”), Frontier Communications Corporation and Frontier Communications
4 ILEC Holdings LLC (collectively, “Frontier,” with Northwest Fiber and Frontier
5 being, collectively, the “Joint Applicants”), and the United States Department of
6 Defense and all other Federal Executive Agencies (“DoD/FEA”) (each a “Party,”
7 and collectively, the “Parties”).

8 **Q. Please state your names and qualifications.**

9 A. Our names are: Steve Weed, Chairman, Northwest Fiber; Allison M. Ellis, Senior
10 Vice President, Frontier; and August Ankum, DoD/FEA. Mr. Weed and Ms. Ellis
11 have set forth our respective positions and qualifications in our testimony in
12 support of a separate settlement between Northwest Fiber, Frontier, the staff of
13 the Washington Utilities and Transportation Commission (“Commission”), and
14 the Public Counsel Unit of the Attorney General’s Office, simultaneously filed
15 with this testimony and dated December 19, 2019.

16 My name is August H. Ankum, Ph.D. I currently serve as Senior Vice
17 President and Chief Economist of QSI Consulting, Inc. I am submitting this
18 testimony on behalf of QSI’s client, DoD/FEA.

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

20 A. The purpose of our testimony is to describe and support the provisions of the
21 settlement reached and signed by the Parties (the “DoD/FEA Settlement”). The
22 Parties provide this testimony in support of the DoD/FEA Settlement to

1 demonstrate why the DoD/FEA Settlement will not cause any harm and is
2 consistent with the public interest and the interests of the Parties.

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

4 A. On June 28, 2019, Northwest Fiber and Frontier filed a joint application seeking
5 an order from the Commission declining jurisdiction, or, in the alternative,
6 approving the indirect transfer of control of Frontier Communications Northwest
7 Inc. (“Frontier NW” or the “ILEC”) pursuant to Chapter 80.12 of the Revised
8 Code of Washington (“RCW”) and Chapter 480-143 of the Washington
9 Administrative Code (“WAC”) and any other authority as may be deemed
10 necessary to effectuate the Transaction (the “Joint Application”). At the
11 prehearing conference, DoD/FEA sought intervention, which was granted on July
12 30, 2019. Northwest Fiber and Frontier filed direct testimony and exhibits in
13 support of the Joint Application on July 31, 2019. The Parties engaged in
14 numerous settlement discussions from August 2019 through November 2019. On
15 November 13, 2019, the Parties finalized and executed the DoD/FEA Settlement
16 that is now before the Commission. In particular, the DoD/FEA Settlement
17 addresses the rates and terms of intrastate business services provided by Frontier
18 NW to DoD/FEA in light of the transaction that is the subject of the Joint
19 Application (the “Transaction”).

20 **Q. Please summarize the DoD/FEA Settlement.**

21 A. The DoD/FEA Settlement was filed concurrently with this testimony and includes
22 conditions that cap certain business rates for a period of three years from the

1 Closing of the Transaction. Northwest Fiber and Frontier make specific
2 commitments to ensure that certain intrastate business services purchased by
3 DoD/FEA from Frontier NW as of September 30, 2019, will be made available to
4 DoD/FEA at rates, terms, and conditions that shall be no higher or less
5 advantageous than those applicable prior to Closing. Condition A (4) requires
6 these services to be capped at the lower of two rates: the actual service rates that
7 applied on September 30, 2019, or as reflected in Frontier NW's intrastate tariffs
8 on file with the Commission that were effective as of June 28, 2019. DoD/FEA
9 has the option to move, change, terminate, or add services if available in its
10 Washington territory provided that it pays all standard applicable charges related
11 to such changes (Condition A (3)), as well as the option to file to participate in
12 any proceeding where Northwest Fiber exercises its option to petition the
13 Commission for relief from the obligations in Condition A (4).

14 Northwest Fiber and Frontier also make other commitments intended to
15 provide assurance to the Commission that DoD/FEA will not be harmed as a
16 result of the transaction, including Condition A(1), which provides that all
17 DoD/FEA government entities are allowed to maintain or order additional
18 services that fall within the specific limitations enumerated in the DoD/FEA
19 Settlement. Also, Northwest Fiber commits to provide written notification to a
20 point of contact specified by DoD/FEA no later than the day in which Frontier
21 NW provides notice to the applicable regulatory agency (Conditions A(6) and B).
22 Nor will Northwest Fiber or Frontier construe anything in the DoD/FEA

1 Settlement to prevent a competitor from offering lower prices or more favorable
2 conditions of service to DoD/FEA (Condition C).

3 **Q. How does the DoD/FEA Settlement demonstrate that these conditions will**
4 **not result in harm to Washington customers?**

5 A. Under the DoD/FEA Settlement, both Joint Applicants will act throughout the
6 transfer of control to ensure that DoD/FEA will have access to the same
7 categories of service specified in the DoD/FEA Settlement subject to the rates
8 charged prior to the Closing of the Transaction. Because the status quo is
9 preserved with respect to consumers, no harm will happen from the Transaction
10 taking place.

11 **Q. Why does Northwest Fiber support the DoD/FEA Settlement?**

12 A. As discussed at length above, Northwest Fiber believes that the DoD/FEA
13 Settlement provides DoD/FEA with important additional protections that ensure
14 the continuity of intrastate business services purchased by DoD/FEA from the
15 ILEC. Because these additional commitments in the DoD/FEA Settlement ensure
16 continuity of intrastate business services, Northwest Fiber believes that the
17 DoD/FEA Settlement will cause no harm to consumers and is consistent with the
18 public interest.

19 These compromises are also in Northwest Fiber's interest, as they enable
20 Northwest Fiber to expediently resolve these issues and close the Transaction.
21 This provides Northwest Fiber, the other parties, and Washington consumers the
22 additional benefit of an early resolution, which the Parties have arrived at

1 following a thorough discussion of the benefits of this Transaction. The Parties
2 agree that these conditions are appropriate, ensure no harm to consumers and
3 provide positive consumer benefits. Although the Joint Applicants contend that
4 the Commission lacks jurisdiction to review the Transaction, Northwest Fiber is
5 willing to support the Commission's review and approval of the Joint Application
6 subject to the terms and conditions agreed to in the DoD/FEA Settlement in order
7 to expedite this proceeding, and without waiving any right to raise jurisdictional
8 arguments if the Commission declines to adopt the DoD/FEA Settlement.
9 Northwest Fiber, along with the other parties, recognizes that time is of the
10 essence with respect to the Transaction, and it benefits from defining the
11 conditions of the Settlement now to better facilitate an expeditious Closing of the
12 Transaction.

13 **Q. Why does Frontier support the DoD/FEA Settlement?**

14 A. For the same reasons as discussed above, Frontier agrees with Northwest Fiber
15 that the DoD/FEA Settlement is in the public interest and will not cause harm to
16 consumers. Frontier also believes the DoD/FEA Settlement to be in its interest as
17 it allows the Commission to expeditiously resolve this proceeding, subject to the
18 same reservations discussed above by Northwest Fiber, and respectfully requests
19 that the Commission approve the DoD/FEA Settlement.

20

1 **Q. Why does DoD/FEA support the DoD/FEA Settlement?**

2 A. DoD/FEA believes that Northwest Fiber's commitments related to, *inter alia*, the
3 rates, terms and conditions for intrastate business service provide stability and
4 additional assurance that it will not be harmed as a result of the Transaction. The
5 DoD/FEA settlement does not discourage competition from potential alternative
6 providers that may want to provide business services to DoD/FEA in competition
7 with Frontier in the future. For these reasons, DoD/FEA believes that the
8 DoD/FEA Settlement will not cause any harm and is consistent with both its
9 interest and the public interest.

10 **Q. What do the Parties conclude regarding the DoD/FEA Settlement?**

11 A. Northwest Fiber, Frontier, and DoD/FEA have agreed to the terms of the
12 DoD/FEA Settlement and acknowledge that the Joint Application will satisfy the
13 "no harm" standard. For the reasons discussed above, the Parties believe that the
14 DoD/FEA Settlement is in the public interest and in their interests. Accordingly,
15 the Parties respectfully recommend that the Commission adopt the DoD/FEA
16 Settlement in its entirety and expediently approve the Transaction.

17 **Q. Does this conclude the Parties' testimony in support of the Settlement?**

18 A. Yes, thank you.