

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Notice of
Transaction and Application of

CENTURYLINK

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, Wiltel
Communications, LLC, Global Crossing
Telecommunications, Inc., Global Crossing Local Services,
Inc., and Level 3 Telecom of Washington, LLC to
Centurylink, Inc.

DOCKET NO. UT-170042

SETTLEMENT AGREEMENT

I. OVERVIEW

- 1** CenturyLink, Inc. (“CenturyLink”), Level 3 Communications, Inc. (“Level 3”), the Staff of the Washington Utilities and Transportation Commission (“Staff”), and the Public Counsel Unit of the Attorney General’s Office (“Public Counsel”) adopt the following Settlement Agreement (“Agreement”) to resolve all issues in Docket UT-170042, which concerns indirect transfer of control to CenturyLink of the Level 3 entities listed above (“transaction”). This Agreement is a full settlement under WAC 480-07-730(1). There are no intervenors in this proceeding. As used in this Agreement, the term “Party” or “Parties” means CenturyLink, Level 3, Staff, and/or Public Counsel.

II. JURISDICTION

- 2** The Washington Utilities and Transportation Commission (Commission) has jurisdiction to approve and enforce this Agreement.

III. EFFECTIVE DATE

- 3** This Agreement is effective on the first day after the transaction closes, except that paragraphs 7 and 8 are effective upon the date this Agreement is filed with the Commission.

IV. STIPULATION OF FACTS

- 4** The relevant facts are set forth in the Joint Application filed with the Commission on January 17, 2017, as supplemented on February 10, 2017. In sum, this proceeding concerns the transaction where CenturyLink, Inc. will acquire the Level 3 parent company, and, as a result, will also acquire the six (6) Level 3 competitive local exchange companies registered in the state of Washington. This transaction is a parent-company level merger/acquisition whereby CenturyLink, Inc. will acquire Level 3 Communications, Inc. and all of its affiliates and subsidiaries. The transaction is a cash and stock transaction, valued at approximately \$34 billion, and is expected to close by September 30, 2017.

V. TERMS OF AGREEMENT

- 5** In order to address various concerns raised by Staff and Public Counsel regarding the transaction, CenturyLink has made the following commitments to protect the public interest:

5.1 Maintenance of the Network – CenturyLink will file an annual report with the Commission on May 1 of 2018, 2019, and 2020, showing the regulated network maintenance expense for the prior calendar year for each of CenturyLink’s Washington Incumbent Local Exchange Carriers (ILECs). Network maintenance expense means plant specific operations expense. If the annual maintenance expense per access line of any of the Washington ILECs is less than the expense incurred per access line for the years 2014 through 2016, CenturyLink will provide an explanation of the variance. The maintenance expense per access line for the years 2014 through 2016 is based on an average number of access lines during those years and has been calculated for each of CenturyLink’s Washington ILECs in Confidential Attachment A.

5.2 Major Outage Reporting – CenturyLink commits to improving its outage reporting as follows:

5.2.1 CenturyLink will inform the Commission of each outage by notifying a designated Commission Staff person within 30 minutes after a determination that a “major outage,” as defined in WAC 480-120-021, is occurring. This obligation continues until December 31, 2020.

5.2.2 CenturyLink will simultaneously provide the notification NORS reports that it files with the FCC for reportable Washington outages to the Commission at the outage reporting email address: telecom-outage@utc.wa.gov. The submissions will be designated as confidential in the transmission and CenturyLink will not be required to add the WAC 480-07-160 designation to the footer in order to obtain confidential treatment; nor will a redacted version of the report be required except on subsequent request from the Commission Staff.

5.3 Report of Federal Universal Service Fund (FUSF) Support – Each year, beginning on July 1, 2017, and ending in 2021, each of CenturyLink’s Washington ILECs will file in this docket a report for the previous calendar year, consistent with Attachment B – FUSF Reporting (including all three pages).

5.4 Wholesale Transparency – For so long as CenturyLink subsidiaries and Level 3 subsidiaries interconnect with each other via Section 251 interconnection agreements, including amendments, CenturyLink commits to file those agreements as required under Section 252 of the Telecommunications Act of 1996.

5.5 Customer Notice of Merger – CenturyLink will issue a press release within 30 days after the closing of the transaction. The press release will be issued via CenturyLink’s normal news release distribution methods reaching CenturyLink and Level 3 service areas, and appear on both CenturyLink’s and Level 3’s websites. The release will state that CenturyLink has acquired Level 3. CenturyLink further commits to provide customer notice if such notice would be required post-transaction in the event of a name change for any telecommunications subsidiaries with customers in Washington.

5.6 911 ESINet Transition – CenturyLink will provide a dedicated project manager to work on the ESINet transition and sufficient support personnel to complete tasks assigned by the Washington Military Department to CenturyLink under the successor vendor’s project plan within the timelines for those tasks set forth in Amendment M to the contract between CenturyLink and the State of Washington Military Department covering NG911 services. CenturyLink will continue good faith negotiation of reasonable transition plan services in Amendment M, based upon the requirements determined by the Washington Military Department to be necessary to accomplish the transition of the 911 networks to the successor provider. CenturyLink will provide

notification to the Washington Military Department of all 911 “major outages”, as that term is defined in WAC 480-120-021.

- 6 The Parties agree that the transaction, with the commitments in paragraph 5, is not inconsistent with the public interest and should be approved pursuant to WAC 480-143-170. The Parties further agree that this Agreement promotes the public interest, and that it is appropriate for unconditional Commission acceptance under WAC 480-07-750.

VI. GENERAL PROVISIONS

- 7 **Advocacy.** The Parties agree to advocate for acceptance of this Agreement before the Commission. After the Commission accepts this Agreement, no party or its agents, employees, consultants, or attorneys will engage in advocacy contrary to the Agreement.
- 8 **Announcements and News Releases.** The Parties agree to provide each other the right to review, in advance of publication, any announcement or news release that the party intends to make about this Agreement. The right to review includes a reasonable opportunity to comment on and request changes to the text of such announcements or news releases.
- 9 **Commission Rejection or Modification.** In the event the Commission rejects all or any portion of this Agreement, or accepts the Parties’ Agreement upon conditions not proposed in this Agreement, and the parties cannot agree on revised terms to incorporate the Commission’s decision, each party reserves the right to withdraw from this Agreement by written notice to the other party and to the Commission. Written notice must be served within 10 business days of the order rejecting part or all of this Agreement or imposing conditions not proposed in this Agreement. In the event one party withdraws by serving written notice, neither party will be bound or prejudiced by the terms of the Agreement, and the parties agree to cooperate in the prompt development of a new procedural schedule.

- 10 Other Proceedings.** This Agreement has no precedential or preclusive effect in other proceedings.
- 11 Final Agreement.** This Agreement supersedes all prior oral and written agreements concerning issues addressed herein.
- 12 Counterparts.** The parties may execute this Agreement in counterparts. Copies sent by electronic mail are as effective as original documents.
- 13 Authorized Representatives.** Each person signing this Agreement warrants that he or she has authority to bind the party that he or she represents.

DATED this 25th day of April 2017.

CENTURYLINK, INC.



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DATED this 24th day of April 2017.

CENTURYLINK, INC.

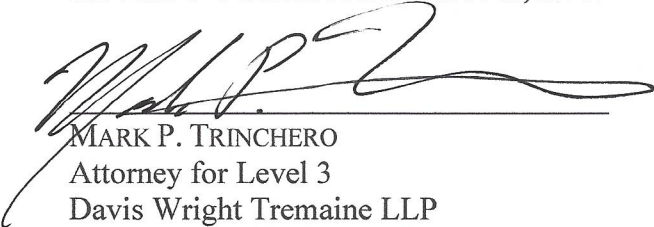
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DATED this 25TH day of April 2017.

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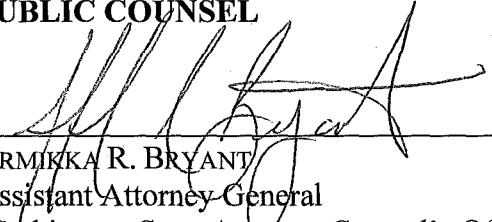
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Maintenance Expense Reporting for 2017 - 2019
As Compared to 2014 - 2016 Expense Per Average
Access Line by Washington ILEC

Ln #	Maintenance Expense by Company (A)	2014	2015	2016	3 Year Average	Company Input		
						2017	2018	2019
1	CenturyTel of Washington, Inc.							
2	CenturyTel of Inter-Island Inc.							
3	CenturyTel of Cowiche, Inc.							
4	United Telephone Co. of the Northwest (WA)							
5	Qwest Corporation (Washington)							
6	Total					\$ -	\$ -	\$ -
Access Line by Company (B)		2014	2015	2016	3 Year Average	Company Input		
						2017	2018	2019
7	CenturyTel of Washington, Inc.							
8	CenturyTel of Inter-Island Inc.							
9	CenturyTel of Cowiche, Inc.							
10	United Telephone Co. of the Northwest (WA)							
11	Qwest Corporation (Washington)							
12	Total					-	-	-
Average Maintenance Expense Per Access Line		2014	2015	2016	3 Year Average	2017	2018	2019
						Maintenance Expense/Access Line by Company (C)		
13	CenturyTel of Washington, Inc. (Lns 1/7)					#DIV/0!	#DIV/0!	#DIV/0!
14	CenturyTel of Inter-Island Inc. (Lns2/8)					#DIV/0!	#DIV/0!	#DIV/0!
15	CenturyTel of Cowiche, Inc. (Lns 3/9)					#DIV/0!	#DIV/0!	#DIV/0!
16	United Telephone Co. of the NW (WA) (Lns 4/10)					#DIV/0!	#DIV/0!	#DIV/0!
17	Qwest Corporation (Washington) (Lns 5/11)					#DIV/0!	#DIV/0!	#DIV/0!

(A) Maintenance Expense for this calculation is defined as Plant Specific Operations Expense which FCC Part 32 defines as Accounts 6112 to 6441 for Class A Companies.

If the FCC changes to allow Class A companies to use Class B reporting, Accounts are 6110 to 6410.

If the FCC discontinues the use of Part 32 accounts, CenturyLink will provide maintenance expense information using the format it uses to account for such activity.

(B) If the methodology used in 2014 - 2016 for reporting access lines changes for 2017 - 2019, Staff must be notified of this change and the impact.

(C) Annual average maintenance expense is company specific and calculated by dividing annual maintenance expense (reported in lines 1-5) by end-of-year access lines (reported on lines 7-11). The result for 2017 - 2019, lines 13 - 17, is compared to the 3 Year Average on lines 13 -17.

Operating Expense Categories	YYYY	YYYY
	Total Operating Expenses	Operating Expenses Attributable to FUSF
Plant Specific Expenses		
Plant Non-Specific Expenses		
Customer Operations Expenses		
Corporate Operations Expenses		
Other Operating Expenses		
Income Tax Expense		
Total Operating Expenses	\$ -	\$ -

Capital Expenditure Investment Categories	YYYY Actual Capital Expenditures Attributable to FUSF
Aerial Cable - Non-Metallic	
Buried Cable - Metallic	
Buried Cable-Non-Metallic	
CWIP Permits/Right of Way	
Digital Circuit Equipment	
Digital Circuit Equipment-DSL	
Digital Electronic Switching	
Engineering Time	
Intrabuilding Cable-NonMetallic	
Optical Circuit Equipment	
Underground Cable-Metallic	
Underground Cable-Non-Metallic	
Underground Conduit Systems	
	\$ -

				YYYY Year	Cumulative
				Number of	Number of
				CAF-II	CAF-II
State	Company	Dominant CLLI	Wire Center	Locations	Locations
WA	ILEC Name	CLLI Code	Wire Center Name 1		
WA	ILEC Name	CLLI Code	Wire Center Name 2		
WA	ILEC Name	CLLI Code	Wire Center Name 3		
WA	ILEC Name	CLLI Code	Wire Center Name 4		
WA	ILEC Name	CLLI Code	Wire Center Name 5		
WA	ILEC Name	CLLI Code	Wire Center Name 6		
WA	ILEC Name	CLLI Code	Wire Center Name 7		
WA	ILEC Name	CLLI Code	Wire Center Name 8		
WA	ILEC Name	CLLI Code	Wire Center Name 9		
WA	ILEC Name	CLLI Code	Wire Center Name 10		
Total				-	-